



## Canadian Imperial Bank of Commerce: Is it a Buy if the PrivateBancorp Deal Doesn't Happen?

### Description

**Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) is a great Canadian bank with a safe, bountiful dividend yield that income investors can depend on. The stock is substantially cheaper than its peers in the Big Five because of its lack of U.S. exposure.

The lack of foreign exposure makes it difficult for the company to keep up with its more internationally diversified peers. The Canadian economy is less stable than that of our neighbors south of the border. Canada's economy is highly sensitive to the price of commodities like crude oil, and if there's a rout in one or more commodities, then the Canadian economy could experience a rough ride like it did when oil started pulling back in the latter part of 2014.

Canadian Imperial Bank of Commerce is a terrific domestic bank, but it's going to be playing the game of catch-up over the next few years, as the management team attempts to acquire a U.S. bank. The company made several attempts to acquire **PrivateBancorp Inc.** (NASDAQ:PVTB) to obtain the much-needed U.S. exposure, but it has not had any luck in terms of reaching an agreement.

Canadian Imperial Bank of Commerce upped its initial bid to buy Chicago-based Private Bancorp by 20% to US\$4.9 billion, and shares pulled back on the news because the acquisition is quite expensive and will not be accretive to the company's bottom line until 2020. In the short term, the deal may seem tough to swallow, but in the long run, I think PrivateBancorp is exactly what Canadian Imperial Bank of Commerce needs to be a competitive player in the Big Five.

Investors may not like the hefty price tag, but if you're in it for the long haul, the discount that Canadian Imperial Bank of Commerce has relative to its peers is likely to shrink over time, as the company becomes an internationally diversified bank.

A shareholder advisory company is urging PrivateBancorp shareholders to vote against Canadian Imperial Bank of Commerce's takeover deal. Institutional Shareholder Services (ISS) believes that PrivateBancorp's earnings power as its own company is growing just fine and is expected to get a huge boost under the Trump administration once American corporate tax cuts and deregulation

initiatives are formalized.

There's no question that companies with substantial U.S. exposure will profit greatly over the next few years thanks to pro-business policies put forth by Donald Trump. If the PrivateBancorp deal doesn't go through, then Canadian Imperial Bank of Commerce stands to miss out on huge gains that its peers with U.S. segments are likely to realize.

I think shares are fully valued at current levels, but if Canadian Imperial Bank of Commerce is able to gain some U.S. exposure, it would definitely be a strong buy since shares are so cheap right now.

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