



Why Bank of Montreal Is on My Watchlist

Description

Canada's big banks are some of the most rewarding and intriguing investments on the market. They offer significant prospects to investors looking for both growth and dividend income. In fact, over the past few years, the big banks have increased their dividends significantly to the point that they now outperform many of their U.S. peers.

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is by no means the biggest or most well known of these banks, but it holds significant upside for investors.

Here's a look at what makes Bank of Montreal a great opportunity.

Bank of Montreal offers an impressive dividend

Many investors may not even realize that Bank of Montreal is one of just a handful of companies that has been rewarding shareholders with a dividend for well over a century. In fact, Bank of Montreal's first dividend payment was made back in 1829, and the bank has continued to reward shareholders and hike the dividend since that time.

While the market has experienced two world wars, several market crashes, and a myriad of other events and crises, Bank of Montreal has remained a constant source of strength for investors, never missing a dividend payment.

The current quarterly dividend stands at \$0.88 per share, which provides a very healthy yield of 3.82%. Bank of Montreal has hiked the dividend consistently over the past few years and has maintained a compound annual growth rate of approximately 7%.

Bank of Montreal continues to post strong results

Bank of Montreal recently provided a quarterly update on the second quarter of fiscal 2017. During the quarter, Bank of Montreal realized net income of \$1,488 million — an impressive 39% increase over the same quarter last year. Adjusted net income for the period came in at \$1,530 million — an increase of 30% over the same quarter last year.

Bank of Montreal realized earnings per share for the quarter of \$2.22 — an increase of 40% over the same quarter last year. On an adjusted basis, EPS surged 30%, coming in at \$2.28.

The Canadian segment of the bank posted net income of \$743 million in the quarter, whereas the U.S. segment reported \$260 million. Both segments continued to show strong growth in comparison to previous quarters, but the significant growth for the quarter was in the BMO Capital Markets and Wealth Management segments.

The Wealth Management segment saw reported net income surge by 81% over the same period last year, coming in at \$266 million. BMO Capital Markets realized an increase of 46% over the same period last year, with reported net income coming in at \$376 million.

Bank of Montreal's growth prospects

Bank of Montreal has completed several lucrative business opportunities over the years that have propelled it further both in terms of revenue and exposure.

One such example is the Marshall & Ilsley deal completed in 2011. That deal saw Bank of Montreal double its foothold into the U.S. market and effectively double the total deposits in that market.

Incoming CEO Daryl White has alluded to the fact that market conditions are ideal for other acquisitions in the future, particularly in the U.S. market.

Bank of Montreal currently trades at just over \$92 with a P/E of 12.18. The stock has retreated a bit in recent weeks, silencing some pundits who saw that Bank of Montreal's recent rise made the stock a tad expensive.

Bank of Montreal remains, in my opinion, a great investment opportunity that holds significant growth and income prospects over the long term.

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Author

dafxentiou

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