



Is it Time to Buy Canadian Imperial Bank of Commerce Shares?

Description

If you've been waiting for a pullback in the big Canadian banks, you've got one. **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) shares have pulled back meaningfully from the 52-week high in March. Specifically, the shares have dipped about 12%.

At right below \$105 per share, Canadian Imperial Bank of Commerce shares trade at a multiple of about 10.2. With a payout ratio of about 50%, the bank should be able to maintain its quarterly dividend of \$1.27 per share, which equates to an annual payout of \$5.08 per share.

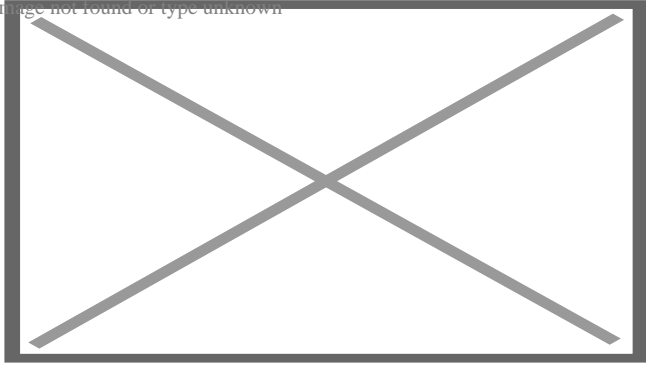
The business

Canadian Imperial Bank of Commerce serves 11 million clients across three major business segments: retail and business banking (58% of earnings in the last four quarters), wealth management (18%), and capital markets (24%).

The bank has been investing in its mobile banking functionality, which has had good reception. It earned the highest score in that category among the five largest retail banks in Canada, according to a recent Forrester Research report.

In the capital markets front, Canadian Imperial Bank of Commerce helped public companies, such as **BCE** and **Husky**, to raise capital via bond offerings. In **Canada Goose's** case, it helped in its initial public offering.

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Earnings and dividend-growth expectations

Investors should be aware that the Canadian Imperial Bank of Commerce's dividend growth may slow in the near term. Last year, the bank increased its dividend by about 10%. That was an anomaly for the bank as in the last few years, it has more often than not hiked its dividend by about 4% per year.

Analysts also expect Canadian Imperial Bank of Commerce's earnings growth to slow down to 2.7-4.7% per year for the next three to five years. If that turns out to be true, it's likely the bank will grow its dividend by about 4% per year to grow its dividend at a healthy pace.

Total returns

Even though Canadian Imperial Bank of Commerce trades at a relatively low multiple and is expected to have lower earnings growth compared to the other big banks, it doesn't mean that an investment today will be a bad one.

In fact, **Thomson Reuters** analysts' mean 12-month target on the stock is \$121, which represents 15% upside potential. And throwing in the dividend yield of 4.8%, an investment today can deliver total returns of almost 20% in the near term.

Investor takeaway

The Canadian Imperial Bank of Commerce share pullback of about 12% is a good opportunity for investors who have been waiting to buy shares of one of the most profitable businesses in Canada.

However, with low energy prices looking like they're here to stay, and the Canadian housing bubble occasionally popping up in headlines, investors may just get a lower price on the shares. So, if you like this bank, consider buying some shares now and more on any further dips, perhaps below \$100.

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