



2 Undervalued Bank Stocks With Excellent Dividends

Description

If you're on the hunt for an undervalued stock with a great dividend, then I have two bank stocks that I think you will love. Let's take a closer look at each, so you can determine which would be the best fit for your portfolio.

Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)), or CIBC for short, is Canada's fifth-largest bank by assets with about \$528.59 billion as of April 30, 2017. It provides a "full range of financial products and services to 11 million individual, small business, commercial, corporate, and institutional clients in Canada, the United States, and around the world."

At today's levels, CIBC's stock trades at just 9.9 times fiscal 2017's estimated earnings per share of \$10.72 and only 9.7 times fiscal 2018's estimated earnings per share of \$10.96, both of which are inexpensive compared with its five-year average price-to-earnings (P/E) multiple of 10.8.

In addition to trading at very attractive valuations, CIBC has one of the banking industry's best dividends. It currently pays a quarterly dividend of \$1.27 per share, representing \$5.08 per share annually, giving its stock a juicy 4.8% yield today.

Investors must also make the following two notes.

First, CIBC has raised its annual dividend payment each of the last six years, and its recent hikes, including its 2.4% hike in February, have it positioned for 2017 to mark the seventh consecutive year with an increase.

Second, the company has a dividend-payout target of approximately 50% of its adjusted net income, so I think its consistently strong growth, including its 8.1% year-over-year increase to \$10.22 per share in fiscal 2016 and its 11.7% year-over-year increase to \$5.53 per share in the first half of fiscal 2017, will allow its streak of annual dividend increases to continue for the foreseeable future.

Equitable Group Inc.

Equitable Group Inc. ([TSX:EQB](#)) is Canada's ninth-largest independent schedule I bank with approximately \$22.96 billion in assets under management as of March 31, 2017. It offers a "diverse suite of residential lending, commercial lending, and savings solutions to Canadians" from coast to coast.

At today's levels, Equitable Group's stock trades at just 6.8 times fiscal 2017's estimated earnings per share of \$8.70 and a mere 6.3 times fiscal 2018's estimated earnings per share of \$9.34, both of which are inexpensive compared with its five-year average P/E multiple of 7.9.

On top of being undervalued, Equitable Group has an excellent dividend. It currently pays a quarterly dividend of \$0.23 per share, representing \$0.92 per share annually, giving it a yield of about 1.6% today. A 1.6% yield may make you question how Equitable Group can be considered an "excellent" dividend stock, so you must also make the following two notes.

First, the company has raised its annual dividend payment each of the last six years, and its recent hikes, including its 4.5% hike in February, have it positioned for 2017 to mark the seventh consecutive year with an increase.

Second, I think Equitable Group's very strong earnings growth, including its 9.8% year-over-year increase to a record \$8.49 per share in fiscal 2016 and its 48.5% year-over-year increase to \$2.54 per share in the first quarter of fiscal 2017, will allow its streak of annual dividend increases to easily continue into the late 2020s.

Which of these quality bank stocks belongs in your portfolio?

I think CIBC and Equitable Group would make great additions to any Foolish portfolio, so take a closer look at each and strongly consider adding one of them to yours today.

CATEGORY

1. Bank Stocks
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TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:EQB (EQB)

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