



How This Financial Stock Has Been Resilient in the Oil Patch

Description

Over the past three years, shareholders of **Canadian Western Bank** ([TSX:CWB](#)) have seen their fortunes decline.

Shares, which traded above \$43 each in 2014, have since declined to under \$20 per share in the past 52 weeks and may now have finally bottomed. Currently trading at a price close to \$27.50 per share, new investors buying now will receive a dividend yield of approximately 3.3% with the potential for added capital appreciation along the way.

The company operates retail bank branches in western Canada and is very dependent on Alberta. Given the difficult times the province has faced over the past several years, it is completely understandable that the market has weighed these headwinds into the share price. The result after a wildfire, which wiped out the city of Fort McMurray, and a declining oil price has been a lower share price for a company which has continued to make profits every year.

Although earnings peaked in 2015 at \$2.58 per share, the bottom line has been very consistent for shareholders of Canadian Western Bank. Earnings per share were \$2.35 in 2013, \$2.54 in 2014, \$2.58 in 2015, and decreased to \$2.20 in fiscal 2016. For the first half of fiscal 2017, shareholders have seen profits totaling \$1.18 per share. Taking the very simple approach of doubling the number, that would translate to annual earnings of \$3.36. Only time will tell if this number is realized.

The good news for investors is that in spite of a very challenging economy, shares have continued to perform very well. The dividends paid per share have increased every year from \$0.68 in 2013 to \$0.91 in 2016. The compounded annual growth rate (CAGR) of the dividend is nothing less than 10%!

While the dividend-payout ratio (calculated as dividends divided by net income) has increased from 28.9% in fiscal 2013 to 41% in fiscal 2016, shareholders need not worry. With earnings that are expected to come in higher than the previous year, the dividends paid to shareholders should continue their upward trajectory.

For investors considering the current share price, the company is not significantly expensive. The stock is currently trading near \$27.50 per share. The tangible book value per share is nothing less than

\$26.30 per share. Investors are effectively getting an asset that is worth what they are paying for it. The additional benefit is the potential for Canadian Western Bank to take the capital available and deploy it in a manner that will continue to generate profit and dividends for shareholders.

Long-term shareholders have been very patient with this name as the share price has wiped out a significant amount of shareholder value. With the hopes of “bucking the trend,” investors may want to bet on either a western Canada recovery or another Canadian bull market.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CWB (Canadian Western Bank)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date

2025/08/18

Date Created

2017/07/06

Author

ryangoldsman

default watermark

default watermark