



Evaluating Canada's Regional Banks: Canadian Western Bank

Description

Last week, we evaluated each of Canada's biggest banks by using a variety of metrics including price-to-earnings (P/E) multiples, dividends, earnings, dividend-payout ratios, and returns on equity (ROE). After reaching the conclusion that shares of **Canadian Imperial Bank of Commerce** were the best pick, we have shifted our focus to Canada's smaller regional banks.

In this article, we will evaluate **Canadian Western Bank** ([TSX:CWB](#)), whose core operations are largely based in Alberta. The company is currently priced at close to \$28 per share and trades at a trailing P/E of just under 13 times. Additionally, shareholders purchasing shares today will receive a dividend yield of just over 3.25%. Although this is much less than the industry average, it is still substantially more than any risk-free rate of return.

Since fiscal 2013, the dividends paid per share have increased from \$0.68 to \$0.91 for fiscal 2016. Over this four-year period, the compounded annual growth rate (CAGR) was 10.2%, which is excellent. When considering the bottom line, earnings over the same period decreased from \$2.35 to \$2.20 per share. Although the pullback in oil has taken a toll on the company, it is important to note that the dividend-payout ratio over this period increased from 28.9% to a very reasonable 41%. Clearly, the company is only beginning to reach a point of maturity.

For the first two quarters of fiscal 2017, earnings have totaled \$1.18, and the dividend has remained consistent at \$0.23 per quarter. Given the current slowdown in the province, the company has not increased the dividend as freely as many other financial institutions.

When considering the ROE, investors need to be very diligent. During the 2013 fiscal year, net profit totaled \$202.38 million, and the company ended the fiscal year with shareholders' equity of \$1.598 billion. The ROE for the 2013 fiscal year was 12.6%, which fell to slightly more than 8% for the 2016 fiscal year. In this case, investors have been receiving a less attractive return for every dollar retained inside of the company since 2013.

Unlike most of Canada's big banks, regional banks often trade at or near tangible book value per share. Canadian Western Bank investors are receiving tangible book value per share, calculated as

(assets-liabilities-goodwill) / shares outstanding, of \$26.30 per share. As a reminder, shares are currently trading near the \$28 mark. Given the modest premium of only 6.5%, investors can happily invest knowing that the value is there to support the share price. In addition, the capital inside the company is currently generating profits for shareholders.

Although the smaller regional banks typically return less on an ROE basis, investors have the option of accepting lower returns for a much higher balance sheet value on every single share.

Depending on the circumstance of every investors, it is always advisable to conduct more due diligence before making the investment that best suits every person's investment needs.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

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

Tags

1. Editor's Choice

Date

2025/08/23

Date Created

2017/08/02

Author

ryangoldsman

default watermark