



## Why Canadian Imperial Bank of Commerce Is Down About 1%

### Description

**Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)), Canada's fifth-largest bank, announced its third-quarter earnings results and a dividend increase this morning, but its stock is down about 1% in early trading. Let's take a closer look at the quarterly results, the dividend increase, and the fundamentals of its stock to determine if we should consider initiating long-term positions right now.

### The Q3 performance

Here's a quick breakdown of 10 notable financial statistics from CIBC's three-month period ended on July 31, 2017, compared with the same period in 2016:

Metric	Q3 2017	Q3 2016	Change
Net interest income	\$2,276 million	\$2,113 million	7.7%
Non-interest income	\$1,828 million	\$2,023 million	(9.6%)
Total revenue	\$4,104 million	\$4,136 million	(0.8%)
Adjusted net income	\$1,166 million	\$1,072 million	8.8%
Adjusted earnings per share (EPS)	\$2.77	\$2.67	3.7%
Total assets	\$560.91 billion	\$494.49 billion	13.4%
Deposits	\$439.36 billion	\$389.57 billion	12.8%
Loans and acceptances, net of allowance	\$358.99 billion	\$312.27 billion	15.0%
Book value per share	\$64.29	\$54.54	17.9%
Adjusted dividend-payout ratio	47.8%	45.2%	(260 basis points)

### Dividend hike? Yes, please!

CIBC also announced a 2.4% increase to its quarterly dividend to \$1.30 per share, and the first

payment at the increased rate is payable on October 27 to shareholders of record at the close of business on September 28.

### **What should you do with CIBC now?**

It was a great quarter overall for CIBC, and it posted a phenomenal performance in the first nine months of fiscal 2017, with its revenue up 5.8% to \$12.01 billion, its adjusted net income up 11.1% to \$3.4 billion, and its adjusted EPS up 8.8% to \$8.29. It's also worth noting that the third-quarter results surpassed the consensus estimates of analysts polled by **Thomson Reuters**, which called for adjusted EPS of \$2.65 on revenue of \$3.98 billion.

With all of this being said, I think the market should have reacted by sending CIBC's stock higher, but I think the decline represents a very attractive entry point for long-term investors for two fundamental reasons.

First, it trades at very attractive valuations. CIBC's stock now trades at just 9.9 times fiscal 2017's estimated EPS of \$10.79 and only 9.7 times fiscal 2018's estimated EPS of \$10.98, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 10.8. These multiples are also inexpensive given its current earnings-growth rate.

Second, it has a fantastic dividend. CIBC now pays an annual dividend of \$5.20 per share, which gives its stock a juicy 4.9% yield. Its recent dividend hikes, including the one it just announced, have it positioned for 2017 to mark the seventh consecutive year in which it has raised its annual dividend payment, and it has a dividend-payout target of approximately 50% of its adjusted net income, so I think its consistently strong growth will allow this streak to continue into the late 2020s.

With all of the information provided above in mind, I think all Foolish investors should strongly consider initiating positions in CIBC today.

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1. Bank Stocks
2. Dividend Stocks
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