



Why Canadian Western Bank Is up Over 1%

Description

Canadian Western Bank ([TSX:CWB](#)), one of Canada's largest diversified financial services organizations, announced its third-quarter earnings results and a dividend increase this morning, and its stock has responded by rising over 1% in early trading. Let's break down the quarterly results, the dividend increase, and the fundamentals of its stock to determine if we should be long-term buyers today.

Breaking down the Q3 results

Here's a quick breakdown of 12 of the most notable financial statistics from CWB'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 on a taxable equivalent basis	\$164.56 million	\$149.55 million	10%
Non-interest income	\$19.85 million	\$19.54 million	1.6%
Total revenue on a taxable equivalent basis	\$184.41 million	\$169.09 million	9.1%
Adjusted common shareholders' net income	\$61.07 million	\$49.79 million	22.7%
Adjusted cash earnings per share (EPS)	\$0.69	\$0.60	15%
Assets	\$25.34 billion	\$25.19 billion	0.6%
Loans	\$22.72 billion	\$21.74 billion	4.5%
Deposits	\$20.88 billion	\$21.16 billion	(1.3%)
Shareholders' equity	\$2.41 billion	\$2.31 billion	4.6%
Assets under management	\$1.97 billion	\$1.89 billion	4.5%

Assets under administration	\$11.44 billion	\$10.31 billion	11.0%
Book value per share	\$24.31	\$23.19	4.8%

Dividend hike? Yes, please!

In a separate press release, CWB announced a 4.3% increase to its quarterly dividend to \$0.24 per share, and the first payment at this increased rate will come on September 29 to shareholders of record on September 15.

What should you do with CWB's stock now?

It was a great quarter overall for CWB, and it posted a very strong performance in the first nine months of fiscal 2017, with its revenue up 8.3% to \$533.28 million and its adjusted cash EPS up 13.9% to \$1.89. The second-quarter results also crushed analysts' expectations, which called for adjusted cash EPS of \$0.62 on revenue of \$177.69 million.

With all of this being said, I think the market has responded correctly by sending CWB's stock higher, and I think it still represents an attractive long-term investment opportunity for two fundamental reasons.

First, it's inexpensive. Even after the +1% pop, CWB's stock still trades at just 11.9 times fiscal 2017's estimated EPS of \$2.45 and only 11 times fiscal 2018's estimated EPS of \$2.65, both of which are inexpensive given its current earnings-growth rate and its estimated 8.9% long-term earnings-growth rate.

Second, it has one of the banking industry's best dividends. CWB now pays an annual dividend of \$0.96 per share, which gives it a yield of about 3.3%. It's also very important to note that the company is on pace for 2017 to mark the 25th consecutive year in which it has raised its annual dividend payment, which makes it both a high-yield and dividend-growth play today.

With all of the information provided above in mind, I think Foolish investors seeking exposure to the banking industry should consider initiating positions in CWB today with the intention of adding to those positions on any weakness in the trading sessions ahead.

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