Why Canadian Imperial Bank of Commerce Is up Over 2%

Description

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM), Canada's fifth-largest bank, released its fourth-quarter earnings results this morning, and its stock has responded by rising over 2% in early trading. Let's break down the results and the fundamentals of its stock to determine if we should be long-term buyers today.

Breaking down the quarterly results

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

Metric	Q4 2017	Q4 2016	Change
Net interest income	$2,464 million	$2,110 million	16.8%
Non-interest income	$1,805 million	$1,571 million	14.9%
Total revenue	$4,269 million	$3,681 million	16.0%
Adjusted net income	$1,164 million	$931 million	25.0%
Adjusted diluted earnings per share (EPS)	$2.81	$2.60	8.1%
Total assets	$565,264 million	$501,357 million	12.7%
Deposits	$439,706 million	$395,647 million	11.1%
Loans and acceptances, net of allowance	$365,558 million	$319,781 million	14.3%
Common shareholders' equity	$29,238 million	$22,472 million	30.1%
Book value per share	$66.55	$56.59	17.6%

What should you do now?

It was a fantastic quarter overall for CIBC, and it posted phenomenal results for the full year of fiscal 2017, with its revenue up 8.3% to $16.28 billion and its adjusted diluted EPS up 8.7% to $11.11 compared with fiscal 2016. With these strong results in mind, I think the market has responded correctly by sending its stock higher, and I think it still represents a great long-term investment opportunity for two fundamental reasons.

First, it's still undervalued. CIBC's stock still trades at just 10.5 times fiscal 2017's adjusted EPS of $11.11, which is inexpensive compared with its five-year average multiple of 10.8; this multiple is also very inexpensive given its current earnings-growth rate, its estimated 4.1% long-term earnings-growth rate, and the strength and stability of its business model.

Second, it's a dividend-growth superstar. CIBC pays a quarterly dividend of $1.30 per share, representing $5.20 per share annually, giving it a beautiful 4.4% yield. The company has also raised its annual dividend payment for seven consecutive years, and its 2.4% hike in August has it on track for fiscal 2018 to mark the eighth consecutive year with an increase.

CIBC's stock is up over 9% since I recommended it following its third-quarter earnings release on August 24, and I think it is still a strong buy today, so take a closer look and strongly consider making it a long-term core holding.

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Date
2025/07/05
Date Created
2017/11/30
Author

jsolitro