Canadian Imperial Bank of Commerce's Profits Skyrocket 25% in Q4

Description

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) saw its share price rise 3% on Thursday after the company released its fourth-quarter results. In Q4, CIBC saw its reported net income rise to $1.16 billion for a year-over-year increase of 25%. Adjusted earnings per share of $2.81 came in well ahead of the $2.59 in per-share earnings that was expected by analysts. Revenue of $4.27 billion was also up 16% from a year ago.

The bank had a strong earnings, and it was a big improvement over the company's Q3 results. Let's take a closer look at what drove the results and determine if the stock is a good buy today.

Key acquisition in the U.S. behind the company's strong growth

In its Canadian personal and small-business banking segment, CIBC's revenue of $2.09 billion was up a little more than 4% from the prior year, and net income of $551 million was down 1%.

The bank saw a stronger performance from its Canadian commercial banking and wealth management division, where revenues increased 9%, and profits were up 13% since last year.

CIBC's acquisition of PrivateBancorp Inc. helped the company achieve its strongest growth in its U.S. commercial banking and wealth management segment where revenues of $422 million were nearly quadruple the $106 million that CIBC generated a year ago. Profits of $107 million also increased significantly from just $23 million in 2016.

The only segment that failed to show any growth for CIBC was the capital markets division, which saw saw a $4 million drop in sales and a 13% decline in net income.

More potential growth ahead

The CIBC rebranded PrivateBancorp back in September as CIBC Bank USA. Now that the company has a more significant presence in the U.S., it will be able to further diversify itself and will have even more opportunities for growth south of the border. Revenues for CIBC's commercial and wealth management segment in the U.S. were less than half of what the company generated in Canada, which has just a fraction of the population.

Unlike other banks that are further along their growth stages outside Canada, CIBC is really just starting to expand its reach, and that could give investors a unique opportunity to take advantage of some growth opportunities that you normally wouldn't come to expect from bank stocks.

Why CIBC is a good buy today

Investors haven't been very bullish on CIBC's stock this year with the share price up less than 8% year to date, which includes the boost it got on Thursday from its earnings. The company has typically traded at a smaller price-to-earnings multiple than **Toronto-Dominion Bank**, which is a much more diversified stock.

However, we could see that change as CIBC grows its market share in the U.S. and is less exposed to the risks of the Canadian market.

CIBC already has a great growing dividend, and that alone makes it an appealing an investment. Bank stocks are generally fairly safe investments, and it's hard to go wrong with adding any to your portfolio, but CIBC in particular has a lot of potential upside in its price over the long term.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

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
2025/07/03
Date Created
2017/12/01
Author
djagielski