



## Why Canadian Western Bank Rallied Over 4% Last Week

### Description

**Canadian Western Bank** ([TSX:CWB](#)), one of Canada's largest diversified financial services organizations, watched its stock rally over 4% last week thanks to a 5.6% surge that started on Thursday following its fourth-quarter earnings release. Let's break down the earnings release and the fundamentals of its stock to determine if we should be long-term buyers today.

### The results that ignited the rally

CWB released its fourth-quarter earnings results before the market opened on Thursday, which ignited a 5.6% rally from the market close on Wednesday to the close on Friday. Here's a breakdown of 10 of the most notable financial statistics from the three-month period ended October 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Net interest income on ataxable equivalent basis	\$170.99 million	\$149.70 million	14.2%
Non-interest income	\$24.63 million	\$19.13 million	28.8%
Total revenue on ataxable equivalent basis	\$195.62 million	\$168.83 million	15.9%
Common shareholders' net income	\$60.83 million	\$47.83 million	27.2%
Adjusted cash earnings per share (EPS)	\$0.74	\$0.59	25.4%
Assets	\$26,447.45 million	\$25,222.55 million	4.9%
Loans	\$23,229.24 million	\$21,961.35 million	5.8%
Deposits	\$21,902.98 million	\$21,194.55 million	3.3%
Assets under management	\$2,114.86 million	\$1,924.18 million	9.9%
Book value per share	\$24.82	\$23.58	5.3%

### Was the rally warranted and can it continue?

It was a fantastic quarter overall for CWB, and it capped off a great year for the bank, in which its revenue on a taxable equivalent basis increased 10.2% to \$728.9 million, and its adjusted cash EPS increased 16.4% to \$2.63 compared with fiscal 2016. With these strong results in mind, I think the market 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 undervalued. Even after last week's rally, CWB's stock trades at just 14.4 times fiscal 2017's adjusted EPS of \$2.63, only 12.9 times the consensus analyst estimate of \$2.95 for fiscal 2018, and a mere 11.5 times the consensus analyst estimate of \$3.29 for fiscal 2019, all of which are inexpensive given its current double-digit percentage earnings-growth rate and its estimated 9.8% long-term earnings-growth rate.

Second, it's a dividend aristocrat. CWB pays a quarterly dividend of \$0.24 per share, equating to \$0.96 per share annually, which gives it a solid 2.5% yield. Foolish investors must also note that fiscal 2017 marked the 25th consecutive year in which it has raised its annual dividend payment, and [its 4.3% hike](#) in August has it on pace for fiscal 2018 to mark the 26th consecutive year with an increase.

CWB's stock has risen over 22% since I first recommended it on [December 10, 2014](#), and it has returned about 35% when you include reinvested dividends. I think the stock is still a strong buy today, so take a closer look and consider making it a long-term core holding.

### CATEGORY

1. Bank Stocks
2. Dividend Stocks
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1. Editor's Choice

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1. TSX:CWB (Canadian Western Bank)

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