



## 2 Bank Spin-Offs That Could Happen

### Description

**Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)), which I consider to be the most underrated of big Canadian banks, is contemplating spinning off FirstCaribbean International Bank, its majority-owned Caribbean banking unit, by listing it on the NYSE or NASDAQ.

Another great move by CEO Victor Dodig, who continues to transform CIBC into a player both here in Canada and down in the U.S.

“FirstCaribbean is considering a potential stock market listing in the U.S., the world’s deepest capital market,” said CIBC spokeswoman Caroline Van Hasselt in an e-mailed statement December 13.

“While no decisions have been made, such a listing would provide CIBC FirstCaribbean with access to a larger investor base, enhanced liquidity, and greater access to capital to support long-term growth.”

The reality is, CIBC can’t take its eyes off its U.S. business now that it’s paid US\$5 billion for Chicago-based PrivateBancorp. Failure at this point is not an option.

Plus, the Caribbean business has been cleaned up in recent years, providing U.S. investors with an interesting alternative from American regional banks.

### FirstCaribbean doing better

In 2017, FirstCaribbean finished the year with 3,000 employees operating out of 17 countries and 68 branches and offices. It has more than US\$12 billion in assets under management and listed on the Barbados Stock Exchange with a US\$2 billion market cap.

Most importantly, FirstCaribbean generated US\$151 million in adjusted net income in fiscal 2017 — easily its most profitable year in some time — on US\$547 million in revenue.

CEO Gary Brown has the bank moving in the right direction. I believe an IPO would be well received by U.S. investors.

## The “Bank of Hockey” ought to consider an IPO

Although I disagreed completely with **Bank of Nova Scotia** ([TSX:BNS](#))([NYSE:BNS](#)) paying [\\$800 million](#) for the naming rights to the arena where the Toronto Maple Leafs and Toronto Raptors, as banks go, it does a lot right.

One of its strong points is its emerging markets business in Latin America and Central America & Caribbean (CA&C). Especially strong in 2017 were Mexico, Chile, Peru, and Colombia, which together had \$1.6 billion in net income from \$6.2 billion in revenue. Meanwhile, CA&C had \$786 million from \$2.9 billion in revenue.

Latin America and CA&C together had \$2.3 billion in net income from \$9.8 billion in revenue.

If I thought a FirstCaribbean IPO would be successful, I can’t even imagine how popular a Bank of Nova Scotia spin-off would be given its Latin America/CA&C business is almost 20 times as large.

Obviously, Bank of Nova Scotia’s business south of the U.S. is considerably more robust and an integral part of the bank’s future.

### Bottom line on these two potential spin-offs

I’d be shocked if CIBC didn’t go ahead with its plan to spin off FirstCaribbean given it has more pressing needs.

As for Bank of Nova Scotia, I doubt it would consider such a move, but if it wants to acquire something large in Canada or the U.S., an IPO would definitely help pay for the deal.

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**Date**

2025/08/26

**Date Created**

2017/12/17

**Author**

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