



Canada's Best Bank Is Now Also the Most Innovative

Description

To use the word *innovation* in the same sentence as *big Canadian bank* is a bit of an anomaly, but in the case of **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)), what I consider to be the best of the Big Five, it's entirely appropriate.

Here's why.

CIBC announced January 8 that it had acquired Wellington Financial, a Toronto-based technology venture capital lender co-founded by Wellington CEO Mark McQueen and **Clairvest Group Inc.** in 2000.

Since its founding almost two decades ago, Wellington has delivered 18 consecutive years of profitability by making individual loans of up to \$40 million to more than 100 North American-based growth companies. Although terms of the deal weren't announced, the bank did say that Wellington will be folded into a new division, CIBC Innovation Banking, to be headed by McQueen.

"Developing, growing and implementing new technology is critical to driving the innovation economy. At CIBC, we are embracing the opportunity to help early and mid-stage technology companies compete and accelerate growth in this fast-evolving and growing sector," said Roman Dubczak, managing director and head, Global Investment Banking, CIBC. "We're committed to becoming one of North America's leading client-focused banks in the innovation ecosystem."

This deal probably seems quite minor to most investors

If you're at all familiar with California's Silicon Valley Bank, which is owned by **SVB Financial Group**, you might be able to figure out that CIBC is trying to build its own version of what could be the best entrepreneur-focused bank operating in North America.

Without PrivateBancorp in its back pocket, a deal for Wellington Financial made absolutely no sense to CIBC, because there wouldn't be the economies of scale needed to compete in the U.S. market. Once PrivateBancorp was [acquired](#) last June and renamed CIBC Bank USA, it was game on for entrepreneurial lending south of the border.

Mark McQueen and his team bring an understanding of venture capital and technology lending to the table, while CIBC brings the deep pockets to do bigger deals and provide greater services to its customers beyond the loans themselves.

CIBC Innovation Banking, in my opinion, has got SVB written all over it. If you own CIBC shares, you couldn't ask for a better deal — well, except acquiring Silicon Valley Bank, as I [suggested](#) CIBC should do — to grow its business in the U.S. beyond the high-net-worth investors Private Bancorp is used to servicing.

And, if we're lucky, CIBC will provide some much-needed capital to the Canadian tech scene, keeping some of our growth companies from moving to the U.S.

Bottom line on CM stock

Once again CIBC has gotten off to the slowest start of the Big Five banks so far in 2018. If you're a value investor, this failure to launch provides you with a better buy than you probably should get considering it's arguably Canada's best bank.

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