



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 by assets, announced its fiscal 2018 first-quarter earnings results and a dividend increase this morning, and its stock has responded by rising over 2% at the open of the day's trading session. Let's break down the quarterly results, the dividend increase, and the fundamentals of its stock to determine if now is the time to buy.

Kicking off fiscal 2018 in style

Here's a quick breakdown of 12 of the most notable statistics from CIBC's three-month period ended January 31, 2018, compared with the same period in 2017:

Metric	Q1 2018	Q1 2017	Change
Net interest income	\$2,473 million	\$2,142 million	15.5%
Non-interest income	\$1,986 million	\$2,067 million	(3.9%)
Total revenue	\$4,459 million	\$4,209 million	5.9%
Adjusted net income attributable to common shareholders	\$1,410 million	\$1,152 million	22.4%
Adjusted diluted earnings per share (EPS)	\$3.18	\$2.89	10.0%
Total assets	\$586,927 million	\$513,294 million	14.3%
Deposits	\$446,179 million	\$409,753 million	8.9%
Loans and acceptances, net of allowance	\$366,769 million	\$322,094 million	13.8%
Cash, deposits with banks and securities	\$110,524 million	\$104,913 million	5.3%

Common shareholders' equity	\$29,889 million	\$23,532 million	27.0%
Assets under management	\$225,765 million	\$186,547 million	21.0%
Book value per share	\$67.34	\$58.90	14.3%

Rewarding its shareholders once again

In the press release, CIBC also announced a 2.3% increase to its quarterly dividend to \$1.33 per share, and the first payment at this increased rate will come on April 27 to shareholders of record at the close of business on March 28.

What should you do with CIBC now?

CIBC kicked off fiscal 2018 with a fantastic first-quarter performance, highlighted by a 10% increase in its adjusted EPS, and the dividend increase was icing on the cake, so I think the +2% pop in its stock is warranted; furthermore, I think the stock represents a very attractive long-term investment opportunity for two fundamental reasons.

First, [it's still undervalued](#). CIBC's stock currently trades at just 10.5 times the consensus EPS estimate of \$11.36 for fiscal 2018 and only 10 times the consensus EPS estimate of \$11.94 for fiscal 2019, both of which are very inexpensive given the low-risk nature of its business model and the strength and stability of its cash flows; these multiples are also inexpensive given its current double-digit percentage earnings-growth rate.

Second, it has one of [the best dividends](#) you will find. CIBC now pays an annual dividend of \$5.32 per share, which brings its yield up to about 4.5%. Investors must note that the company was already on track for fiscal 2018 to mark the eighth straight year in which it has raised its annual dividend payment, and the hike it just announced has it positioned for fiscal 2019 to mark the ninth straight year with an increase, making it both a high-yield and dividend-growth star.

With all of the information provided above in mind, Canadian Imperial Bank of Commerce is my favourite stock in the financial sector today, so take a closer look and strongly consider making it a long-term core holding.

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