Is Canadian Imperial Bank of Commerce a Must-Buy After a Strong Q1 and a Dividend Hike?

Description

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) released its first-quarter earnings on Thursday. The results were strong and continued to build on the company's presence in the U.S. after its acquisition of PrivateBancorp last year.

The bank's results blew past expectations as adjusted per-share earnings of $3.18 were well above the $2.83 that was expected by analysts.

However, if we look at the top and bottom lines, we see that sales of $4.5 billion were up 6%, but profits of $1.3 billion were actually down by a similar percentage.

Let's take a more detailed look into the company's earnings to see what was behind the results.

A look at the different segments

In its Canadian personal and small-business banking segment, which normally makes up almost half of all revenue, sales were down more than 7% in the quarter, as the prior-year results were boosted by a gain relating to retail properties. As a result, net income for the segment totaled $656 million and was down 19% year over year as minor cost savings were not enough to offset the stronger top line from last year.

Revenue from Canadian commercial banking and wealth management was up 9%, as the company was able to take advantage of higher volumes and fees, along with wider spreads. Profits for the segment totaled $314 million and were up 14% from the prior year.

South of the border, the company's U.S. segment saw a big jump with quarterly sales of $432 million nearly quadrupling last year's $113 million. Specifically, commercial banking south of the border skyrocketed from just $47 million in the prior year to nearly $300 million this past quarter.

However, if we compare to the previous quarter, the overall improvement in the segment is much more minimal, as the segment's sales have risen just over 2% since then. Net income for CIBC's U.S.

operations totaled $134 million and were up from $29 million a year ago and were an increase of over 25% from the previous quarter.

In its capital markets segment, CIBC saw a decline as sales of $801 million were down more than 3% from last year, and net income declined over 7%.

Summary of the segmented results

Other than some one-time gains that skewed last year's results in CIBC's largest segment, the bank saw some good growth from the prior year. As impressive as its growth in the U.S. was, Q4's results had already achieved much of that success, and so the big question will be, how much more will the bank be able to grow its operations south of the border?

Dividend hiked over 2%

CIBC also announced in its earnings report that it was raising its quarterly dividend from $1.30 to $1.33. Increasing its first payout of the year is a common trend we've seen from the bank in the past several years, and so it shouldn't come as a big surprise to investors. It's also not uncommon for the bank to hike its dividend multiple times during the year, and so we may still see another hike later this year.

Bottom line

CIBC remains a great dividend stock to add to your portfolio, and its growth prospects in the U.S. should allow the bank to grow its business at a faster rate than its peers.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

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

Date

2025/08/26
Date Created
2018/02/23
Author
djagielski