



Canadian Imperial Bank of Commerce Raised its Dividend! Buy Now?

Description

It's earnings season for Canada's big banks again, and **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) has started the party early.

The acquisition of PrivateBancorp, which was completed [last summer](#) and subsequently rebranded last fall as CIBC Bank USA, will continue to be a driver for growth at Canada's fifth-largest bank.

This represents the second quarter of results from the new CIBC Bank USA, and the results announced this week were, in a word, impressive.

Impressive results, and a great start

The commercial banking and wealth management segment, which also benefited from the acquisition of Geneva Advisors last year, saw a massive increase in net income year over year to \$134 million, representing an increase of \$105 million, or a whopping 362%.

CIBC has a larger exposure to the mortgage market than any of its peers in Canada, which added to the reasoning and brilliance in the PrivateBancorp deal last year. A greater exposure to the U.S. market will offset the slowing demand for mortgages at home. The impact of the domestic market on the bank's bottom line will have a more direct impact in the following quarter, as tighter lending rules went into place at the start of the year.

CIBC earned \$1.33 billion, or \$2.95 per share, for the most recent quarter, reflecting a decrease of 5.6% over the \$1.41 billion, or \$3.50 per share, reported in the same quarter last year.

Once one-time gains as well as a massive \$88 million write-down stemming from changes to U.S. tax laws are factored in, however, that adjusted figure balloons to an impressive \$1.43 billion, or \$3.18 per share, shattering both the same quarter last year as well as the \$2.83 per share that analysts were expecting.

CIBC's capital markets segment saw profits drop by 7% to \$322 million in the most recent quarter, with that drop attributed to both lower trade revenue and debt underwriting. Another factor for the drop is

the comparison period itself, as the same quarter last year benefited from the unexpected presidential election results in the U.S., which caused a surge in trading and profits.

What about dividends?

When it comes to paying dividends, Canada's banks have some of the [best dividend payouts](#) in the business and certainly better than their banking peers in the U.S.

CIBC announced a \$0.03 hike to its dividend during the quarterly earnings call, which brings the dividend up to \$1.33 per share, providing an impressive yield of 4.55%. This continues a trend that now goes back over seven years of annual or better increases.

Should you invest in CIBC?

There are two things that really excite me about CIBC over the long term. The first is dividends, and the second has to do with expanding further into the U.S. market.

From a dividend standpoint, CIBC continues to impress analysts and shatter expectations, and the yield is now reaching very attractive levels, despite the stock maintaining a very impressive P/E of just 10.37.

Turning to the U.S. market expansion, this is something that addresses two major issues that CIBC has had in the past. The first is an over-reliance on Canada's real estate market, which is bound to start slowing this year due to the new lending rules and an uptick in interest rates.

The second point is more about diversifying. CIBC was sadly lacking a strong international segment that many of its peers often tout as a strong contributor to growth. Assuming that CIBC can continue on its course to having nearly 20% of its revenue come from U.S. markets over the next few years, concerns relating to diversifying should no longer be valid.

In my opinion, CIBC is a great long-term option for those investors looking for growth and income potential.

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Author

dafxentiou

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