Canadian Imperial Bank of Commerce: Good Results, but Is it a Great Buy?

Description

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is one of the biggest banks in Canada, which has, until recently, avoided the spotlight cast by many of its larger, more outspoken peers.

That quiet and reserved nature of CIBC began to change last year, as the bank announced its first major foray into the U.S. market in over a decade, with the acquisition of PrivateBancorp.

That acquisition proved to be significant for CIBC from both a defensive and offensive position. Domestically, the cooling mortgage market in Canada was raising concerns with investors, as CIBC has a greater exposure to the mortgage housing market than any of its peers. Diversifying into another market alleviates those concerns.

The expansion market selected warrants a quick note. In the years following the Great Recession, Canada's Big Five have repeatedly turned to the U.S. as an avenue to expand into, with higher interest rates, a larger population, and the prospect of a new revenue stream all too alluring to ignore.

Quarterly results

CIBC announced results for the most recent quarter this week, which, once again, surpassed the expectations of analysts.

Adjusted earnings for the quarter came in at $1.32 billion, or $2.95 per diluted share, surpassing both the expected $2.81 per share that analysts were calling for as well as the $2.64 per share that the bank posted in the same quarter last year.

The Canadian personal and small business segment saw gains of 16% over the same quarter last year with net income coming at $584 million. The domestic gains were realized, despite tougher lending regulations as well as reduced housing sales witnessed across the market.

The commercial banking and wealth management arm realized a $310 million profit in the quarter, beating the figure from the same quarter last year by 9%

The most impressive takeaway from the quarterly report came in as expected from the U.S. commercial banking segment. CIBC's earnings in the second quarter shot up an incredible 431% to $138 million over the same quarter last year.

Is CIBC a good investment for your portfolio?

Critics of CIBC often point to the bank's over-reliance on the mortgage market — more so than its peers — as a reason to be cautious about investing in the bank. Those concerns have largely been addressed through CIBC's move into the U.S. market.

Investors considering CIBC as an investment should also take note of two other factors which could prove to be compelling reasons to buy into the bank.

First, there's CIBC's very attracted dividend. The quarterly dividend of $1.33 per share currently holds an impressive yield of 4.64%, which has steadily improved on an annual or better basis for the past few years.

Additionally, there's also the impact of a potential share buyback that could drive prices up even further. In the recent quarterly earnings announcement, CEO Victor Dodig noted that the bank has already applied to buy back 2% of outstanding shares, which could mean as much as nine million shares overall.

In my opinion, Canadian Imperial Bank of Commerce is a great investment for those investors seeking an income-producing stock that can offer great growth as well.

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