Attention: This May Be Your Last Chance to Buy CIBC's Stock at a Discount!

Description

Did you take advantage and buy **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM)? If not, you may have missed your opportunity to pick it up on the cheap. In late July, I'd explained how Canada's big banks always revert to the mean and trade in line with their historical price-to-earnings ratios. At the time, CIBC's stock was trading approximately 10% below this number.

Since then, CIBC has returned approximately 5%, which outperformed its Big Five banking peers. It's about to close the gap even further.

Earnings beat on top and bottom lines

On Thursday, CIBC announced third-quarter results that crushed expectations. The company posted earnings per share (EPS) of $3.08, outpacing analysts' estimates by $0.13 per share. Likewise, revenues came in $20 million above estimates at $4.54 billion.

These numbers represent double-digit growth year over year (YOY). EPS grew 11.2%, while revenue grew by 10.7% over the third quarter of 2018.

Strong U.S. and Canadian performance

One of the knocks on the company was that it lacked diversification south of the border. However, the company has made significant moves in this area, most notably with its recent purchase of Chicago-based PrivateBancorp. The moves are paying off.

CIBC's U.S. commercial banking and wealth management grew revenues by approximately 21% over the second quarter. This also represents a 280% increase YOY due in large part to the aforementioned PrivateBancorp acquisition.

CIBC also continues to deliver strong organic results in Canada. Its Canadian commercial banking and wealth management unit grew 13% over the second quarter and 20% over the third quarter of 2017. That's not all. The company also delivered double-digit growth in its personal and small business banking segment. Revenues for the segment came in 10% over Q2 and 14% YOY.

Lone weak spot

The company's Caribbean operations were the company's sole weakness. In late June, I'd warned investors that issues in the Caribbean could pose a headwind for Canada's banks. Sure enough, the company posted higher provision for credit losses in the third quarter. This was due in large part to the restructuring of sovereign loans in Barbados. In the quarter, CIBC booked $44 million in impaired loans.

The company's international operations continue to be a drag on overall results. In the quarter, it booked $183 million in revenues against $300 million in expenses. In total, the segment impacted EPS by approximately $0.07 per share.

CIBC's strong Canadian and U.S. operations more than offset weakness in the Caribbean. As of writing, the company remains one of the best-valued banks in Canada. It won't last for long, and this may be your last chance to pick up shares in CIBC's stock at prices below fair value. It is also a top pick for retirees looking to boost their income.

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