Buying Opportunity: This Bank Can Do No Wrong!

Description

If you were to sit down two years ago and consider the future growth prospects of **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM), you would have likely come to the conclusion that the bank was an acceptable investment, but not exactly a great long-term pick with a flashing "Buy now!" sign over it.

How far CIBC has come in two years

One of the common criticisms just a few years ago was that CIBC lacked any real growth prospects outside Canada. The bank had mostly exited the U.S. market nearly a decade ago and was sitting relatively still, while its peers were gobbling up banks and staking claims over the lucrative U.S. market, or abroad into other other markets.

Part of the concern among investors was that CIBC was overly exposed to Canada's white-hot real estate market, and without diversifying into other markets, the bank could be in a difficult position if the market position changed.

Fortunately, that view changed drastically when CIBC announced a series of huge acquisitions in relatively quick succession. First, there was the huge acquisition of Chicago-based PrivateBancorp in a US$3.8 billion deal, which was completed last summer. Last year also saw CIBC acquire the private wealth-management firm Geneva Advisors for US$200 million. Geneva was also based out of Chicago, which meant that the company could add US$8.6 billion in assets under management, with a strong and growing foothold in the U.S. under its rebranded name in that market, CIBC Bank USA.

Both deals gave CIBC a welcome boost to earnings and silenced critics.

Recent results reveal CIBC is still a great investment

CIBC announced results for the third quarter last week and it was another stellar quarter.

The bank reported a profit of $1.37 billion in the quarter, surpassing the figure from the same quarter last year by an incredible 25% on a per share basis. The bank earned $3.01 per diluted share, which was also a notable bump over the $2.60 per diluted share reported last year.

Analysts were forecasting CIBC to post a profit of $2.94 per share.

CIBC's results were not attributed to just one segment of the company, but rather to the stellar performance of the bank across all of its operating segments. The Canadian personal and small business group saw a 14% increase over the same quarter last year to $639 million in earnings, whereas the Canadian commercial banking and wealth management segment saw a 20% uptick over the same quarter last year, coming in at $350 million.

The U.S. commercial banking and wealth management segment brought in $162 million, up by an incredible $121 million over the prior year, clearly reflecting the addition of PrivateBancorp to CIBC's portfolio.

The impressive quarterly result announcement was followed by an equally impressive hike to the company's dividend, which will now provide a quarterly payout of $1.36 per share, translating into a very appetizing 4.44% yield.

If there was any doubt that CIBC was not a great long-term investment, it was quashed during the earnings announcement. As it stands now, CIBC is *the* bank to have if you want growth and income and is likely to continue growing for the foreseeable future.

CIBC currently trades at just below $123 with a P/E of 10.72.

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Date
2025/07/03
Date Created
2018/08/29
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