



It's Time to Ride Canadian Imperial Bank of Commerce (TSX:CM) Stock to \$125 or Higher

Description

The average annualized total return of Canada's five big banks over the past five years is 9.5% with **Toronto-Dominion Bank** the highest at 12%, and **Bank of Nova Scotia** the lowest at 6.1%.

Canadian Imperial Bank of Commerce ([TSX:CM](#)) ([NYSE:CM](#)), my [favourite](#) Canadian bank, was slightly below average at 9.3%. By almost any period, CM stock has underperformed its peers.

Despite the lack of performance relative to its peers, I continue to praise the work CEO Victor Dodig is doing to make over the bank. The CIBC of today isn't close to the CIBC of five years ago, and it's likely to look far different five years from now under Dodig's masterful guidance.

One of the areas in which the bank is making significant strides is in business banking, both in Canada and the U.S. It especially stands out for its work with entrepreneurial companies.

This area of its business is a big reason I see CM hitting \$125, perhaps as high as \$130, by the end of 2019.

Forget mortgages and focus on innovation

The Canadian business media is keen to point out that CIBC's residential mortgages and home equity lines of credit (HELOCs) represent 60% of its total loan portfolio, significantly higher than the rest of the Big Five. What the media often fail to examine is the quality of clients holding the mortgages or the banking relationship beyond the house.

Where Dodig is taking the bank, mortgages will be just one piece of a much more extensive relationship, that includes bank deposits, investment accounts, small- and large-business loans, and much more.

Earlier this year, CIBC acquired Wellington Financial, one of Canada's most successful tech venture capital companies, headed by Mark McQueen, an industry veteran. McQueen, who stayed on with the bank and heads up its Innovation Banking division, plans to take the division North American wide.

Over the past nine months, McQueen has been busy building a top-notch group of employees — he's hired six managing directors from rival firms; the number of employees has grown to 30 people working out of seven offices across North America — to take CIBC Innovation Banking to the next level attracting early- and late-stage tech companies to its array of services, including lending.

Hootsuite and more

In March of this year, CIBC's innovation division provided \$65 million in credit financing to Hootsuite, the Vancouver-based social media-management solution that allows companies to organize and run their social media programs.

It starts with a loan, but eventually the relationship could extend to other banking products until CIBC isn't just a one-trick pony in the eyes of its client.

"It's a good exposure," Dodig told the *Globe and Mail* in September when talking about its newer mortgage clients. "Get enamoured with the fact that we can actually grow those relationships over time."

Many of the men and women who work at Hootsuite likely need a mortgage. With CIBC stepping up to the plate to help it grow its business outside North America, it's in a much better position to provide the company's well-paid employees with a mortgage.

As Dodig likes to say, commerce, not mortgages, is what will drive CIBC in the future, and that's a very good thing.

The bottom line on CM stock

CIBC's current yield is 4.7%. That's equal to Bank of Nova Scotia and higher than the other three of the big banks. That in itself is very attractive.

However, it is Mark McQueen and the work getting done at CIBC Innovation Banking that's got me genuinely excited about the trajectory of its future stock price.

\$125, here we come.

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