

Is CIBC (TSX:CM) Still the Best Bank for Your TFSA Buck?

Description

I've often referred to **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) as the "[best bank for your buck.](#)" CIBC stock has consistently traded at a considerable discount relative to its Big Five peers in spite of the remarkable improvements that management has made over the last few years to transform CIBC into a more robust, geographically diversified bank.

Now, as you're probably well aware, just because a stock is cheap based on valuation multiples (P/E, P/B, P/S, P/CF, and the like) doesn't mean it's undervalued or trading at a discount to its intrinsic value. Nine times out of 10, a cheap stock is cheap for a very good reason, and in an efficient market, there's often no bargain to be had with such names.

CIBC, I believe, is [one of the few](#) perennial cheap plays that actually deserves of a higher multiple. The bank still has the highest exposure to Canada's frothy housing market and the lowest magnitude of geographic diversification relative to its bigger brothers, but I'm sure you can agree that today's CIBC is a heck of a lot stronger and more robust than the CIBC that got caught with its pants down prior to the Great Recession or even the CIBC from five years ago.

The single source of failure, Canada's "house of cards" housing market is still a major risk for CIBC shareholders, but this risk, I believe, is deteriorating every year as management continues to push into the U.S. market as its Canadian mortgage growth rate continues to slow.

Many pundits were critical of CIBC's expensive PrivateBancorp acquisition a few years ago, and as the company continues to beef up its business south of the border, one can only expect more pessimism from investors as any further U.S. tuck-in acquisitions will undoubtedly come with a premium price tag.

There's no question that CIBC's playing catch up when it comes to geographic diversification, but better late than never! The U.S. business has been a bright spot for CIBC, and over the next five years, one can only expect that the bank will become more like a **Bank of Montreal** with regard to its mix of Canadian and U.S. segments.

In the meantime, analysts will be critical of CIBC's slowed mortgage growth and any future U.S. tuck-in deals that will be deemed "expensive."

Foolish takeaway

Investors have disliked CIBC stock because of its overexposure to Canadian housing and its lack of a meaningful international outlet, but now that CIBC has made moves to improve upon itself in these two areas of concern, investors are still as pessimistic as ever.

It appears that CIBC can't win no matter what it does, but as management continues to drive efficiencies to further improve upon its more diversified growth runway, I'm a firm believer that the company will gradually shed its "permanent discount" in the Canadian banking scene.

I'd treat the recent Q4 2018 miss, which saw a decline in U.S. banking earnings, as an opportunity to pick up CIBC shares, which now yield nearly 5%. If you've got a long-term time horizon, tuck the stock in your TFSA and get paid as you wait for management to iron out the wrinkles in PrivateBancorp. At just 8.8 times forward earnings, CIBC still looks like the best Canadian bank for your buck.

Stay hungry. Stay Foolish.

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Date

2025/08/18

Date Created

2018/12/03

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