



## Is Bank of Montreal (TSX:BMO) the Best Bank Stock for 2019?

### Description

The fiscal Q1 results are in for the big Canadian banks and the one that appears to be leading the pack to start the year might be a [surprise](#) to some investors.

### Canada's oldest bank

Established in 1817, Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is Canada's oldest bank with the country's longest track record of consistent dividend payments. In fact, investors have received a share of the profits every year since 1829.

As the fourth-largest of the Big Five, Bank of Montreal often flies under the radar of investors, but that might begin to change.

### Strong results

Bank of Montreal reported solid results for the most recent quarter, which is somewhat unique in the Canadian banking sector, where most of its peers delivered weaker-than-expected numbers.

The bank generated adjusted net income of \$1.54 billion in the quarter, representing a gain of 8% over the same period last year. Adjusted earnings per share jumped 10% to \$2.32 and adjusted return on equity remained unchanged at 13.9%.

Provisions for credit losses rose slightly to \$141 million, compared to \$137 million in fiscal Q1 2018. Bank of Montreal remains well capitalized with a CET1 ratio of 11.4%.

### U.S. business

Bank of Montreal has a large U.S. presence that dates back to the early 1980s. Since then, the company has made strategic acquisitions to expand the division, and now has more than 500 branches

primarily serving clients in the mid-west states.

The U.S. personal and commercial banking operations delivered a 42% increase in adjusted net income in the last quarter compared to fiscal Q1 2018.

## Dividends

Bank of Montreal has a compound annual [dividend](#) growth rate of about 7% over the past 15 years. The quarterly payout of \$1 per share is 8% higher than the same time last year. For Q1, the payout ratio was just under 44%, which is comfortably in the bank's target range of 40-50%.

The bank also repurchased a million shares during the quarter.

## Risks

Bank of Montreal's Canadian residential housing exposure is lower than some of its peers, which could be part of the reason that the stock has found some support. In addition, oil and gas loans represent just 2% of the total loan book.

With the Bank of Canada expected to delay additional rate hikes, the risk of a meltdown in the housing market should decrease, but the full effects of the previous rate hikes might not have kicked in yet.

## Stock price

The stock continues to rally off the December low. Bank of Montreal traded for \$86 in December, but is now back above \$104 per share and closing in on the 12-month high near \$109.

## Should you buy?

The market appears to like what it sees with Bank of Montreal — a positive trend that could continue, especially after some of the rough results posted by its larger peers.

At 11.5 times trailing earnings, the stock still appears reasonably priced, especially given the balanced revenue stream and lower housing risk. If you are searching for a bank stock to add to your 2019 portfolio, Bank of Montreal might be an interesting pick today.

### CATEGORY

1. Bank Stocks
2. Investing
3. Stocks for Beginners

### TICKERS GLOBAL

1. NYSE:BMO (Bank of Montreal)
2. TSX:BMO (Bank Of Montreal)

## **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

## **Category**

1. Bank Stocks
2. Investing
3. Stocks for Beginners

## **Date**

2025/08/26

## **Date Created**

2019/03/07

## **Author**

aswalker

default watermark

default watermark