Is This Earnings Miss Really an Opportunity?

Description

It's earnings season for Canada's Big Banks, and as usual, there's no shortage of surprises, records, and misses. While Canada's two largest banks basked in the glory of handsome gains over the prior quarters, **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) was left to deal with a less than stellar, if not mixed announcement of its own, with earnings coming in higher than last year but ultimately missing their previously stated guidance.

Should investors be concerned with the miss? CIBC is, after all, diversified into the U.S. market thanks to its re-entry there following a major acquisition several years ago, and up until this recent earnings report, the bank was viewed as one of the best long-term investments an investor could make.

Let's look at how CIBC fared in the most recent quarter to determine whether the bank should still be on your shortlist of investments.

Q2: Earnings flat, guidance missed

For the second fiscal quarter, CIBC reported a net profit of $1.35 billion, or $2.97 per adjusted share, representing a modest 2% uptick over the same period last year. The consensus among analysts was that CIBC would report in slightly higher at $2.99 per share.

In the domestic market, the Canadian personal and small banking unit saw adjusted earnings dip 3% over the same quarter last year to $571 million, with the bank attributing to credit loss provisions and expense increases.

CIBC's expansion into the U.S. market was always viewed by skeptics as a necessary hedge against a potential slowdown in the domestic market, particularly with respect to home loans, as CIBC is more exposed to over its peers.

Adding to that need to diversify is the fact that the Bank of Canada hiked interest rates five times in a relatively period of time ending last fall, ultimately cooling the real estate market and, by extension, CIBC's overly reliant loan book.

Fortunately, that diversification south of the border came handy in the most recent quarter, with double-digit gains reported from CIBC's U.S. banking and capital markets segments.

Looking toward the rest of 2019, management noted earnings would remain flat year over year.

What does this mean?

Canada's Big Banks are notoriously good investment options, and that view isn't going to change as a result of this earnings report. CIBC remains a solid long-term pick, and if anything, there were several small tidbits from the earnings report that are positive developments that investors should consider, ranging from the announcement of a buyback of up to 2% of outstanding shares over the course of the next year to the double-digit growth stemming from the banks U.S. operations.

Finally, we come to one of the most attractive aspects of CIBC, its quarterly dividend. CIBC currently provides a handsome yield of 4.96%, making it one of the better-paying dividends among the Big Banks, with a slew of annual or better upticks stemming back nearly a decade, the most recent of which was applied earlier this year.

Despite missing on its most recent guidance, CIBC remains a great long-term pick for growth and income-seeking investors in nearly any portfolio.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

PARTNER-FEEDS

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

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/07/25
Date Created
2019/05/25
Author
dafxentiou