



2 Banking Bets That Could Make You Rich

Description

When you think of Canadian bank stocks, the last thing you think of is getting rich. Many of them are established behemoths that have been around for over a century. When it comes to the TSX, the banks are among the largest of institutions, and, as you may know, the bigger the business, the harder it is to bag multi-bagger returns.

What the Big Six banks lack in growth potential relative to smaller, more agile firms, they make up for in the width of their moats. There are massive barriers to entry when it comes to banking, and as the old banks of yesteryear continue to embrace innovative, new technologies, their moats (and margins) will only stand to widen, even as up-and-coming digital-only banks pick up traction.

Without further ado, here are two timely banks that could make you big money at their current valuations.

CIBC

The banks provide a means to grow wealth at an above-average rate over time — big dividends, dividend raises, and all the sort. But unless you can nab shares at a huge discount to their intrinsic value, it's tough to make colossal money from the banks.

There is one bank that I believe is trading at a [huge discount](#) amid the recent macro headwinds faced by the broader industry, and that bank is **CIBC** ([TSX:CM](#))([NYSE:CM](#)), the most punished Big Five bank of late.

After the recent post-Q2 damage, CIBC stock trades at 8.5 times forward earnings, 1.3 times book, 2.5 times sales, and 4.2 times cash flow. For a company the calibre of CIBC, the valuation is far too cheap. Not only is the name the close to the cheapest it's been in recent memory with a very bountiful 5.5% dividend yield, but the name is trading with extremely pessimistic expectations with regards to the fate of the Canadian housing market. I think these concerns are overblown, and investors who are willing to go against the grain could have a chance to ride a big bounce.

VersaBank

Here's a mid-cap bank that you've probably never heard of because of its mere \$152 million market cap and the fact that the company changed its name from Pacific & Western Bank back in 2016.

VersaBank (TSX:VB) is a digital-only bank that's arguably [one of the most tech-savvy](#) financial institutions in Canada. The lack of physical branches allows VersaBank to offer a better value proposition for its depositors. With a solid book of loans, a strong virtual focus, and intriguing technologies that beg for investor attention (like VersaVault for the crypto fanatics out there), I think VersaBank is evolving into a disruptive force.

Although VersaBank is technically a chartered bank, I like to think of it as a fintech play. Being an electronic branchless bank comes with its fair share of challenges. To combat such challenges, the company needs to continue developing new technologies and continuously better rates over the competition to inspire depositors to give it a chance over the "unstoppable" Big Six institutions that have far deeper pockets.

Over the past year or so, VersaBank has outperformed its bigger brothers, and despite the recent run, the stock still trades at just over nine times earnings and 2.9 times sales.

VersaBank has a few tricks up its sleeves, and if you're in the market for a fintech play that could become a multi-bagger, you may want to consider picking up shares at just \$7 and change.

Foolish takeaway

Contrary to popular belief, banks can make you "rich." If you buy shares at big discounts on the dip or pick up shares of an under-the-radar up and comer, you can maximize your chances. Of course, the higher potential reward comes with more volatility relative to the Big Six basket of blue chips.

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2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:VBK (VersaBank)

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Author

joefrenette

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