Dividend Investors: Should You Buy CIBC (TSX:CM) Stock After Strong Earnings?

Description

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) just reported solid results for fiscal Q3 2019, and investors are wondering if the stock is finally a buy.

Let's take a look at the current situation to see if CIBC deserves to be in your dividend portfolio right now.

Earnings

CIBC finally delivered a quarterly performance that beat analyst expectations. It is a welcome relief for the bank's shareholders, who have watched the stock slide nearly 20% in the past year.

CIBC reported fiscal Q3 adjusted net income of $1.414 billion compared to $1.399 billion in the same period last year. Diluted earning per share came in at $3.10 compared to $3.08 in 2018.

Return on equity slipped from 17.1% to 15.6%.

The company continues to face headwinds in the Canadian operations, but the personal and small business segment delivered steady results with adjusted net income in the pillar coming in at $659 million compared to $643 million last year. Deposit growth of 8% helped drive the better numbers.

Canadian commercial banking and wealth management activities saw net income dip slightly from $350 million last year to $348 million in Q3 2019. Provisions for credit losses increased in the quarter, and that had a negative impact.

CIBC spent more than US$5 billion in the past couple of years to acquire assets in the United States, including the purchase of Chicago-based PrivateBancorp. The deal ended up costing CIBC significantly more than its original offer, but the business appears to be delivering strong returns.

The U.S. commercial banking and wealth management division reported $182 million in adjusted net income — a 6.4% gain over the same period last year. Loan balances increased 15%, and deposits rose 20% supported by solid organic growth from the U.S. commercial and digital banking customers.

Capital markets activities had a rough quarter compared to the same period in 2018. Adjusted net income fell from $265 million last year to $231 million. This segment tends to see results vary by a wider margin from one quarter to the next. The Q2 adjusted net income for the group was $279 million.

Risks

Total provisions for credit losses jumped from $241 million to $291 million on a year-over-year basis for the quarter. The commercial banking business in the U.S. was specifically highlighted in the company's report.

The overall PCL and Gross Impaired Loan ratios remained relatively flat, however, so investors will have to watch to see how the next few quarters pan out to get a sense of whether credit quality is deteriorating enough to send larger warning signals for the stock.

Dividend

CIBC is apparently comfortable with the revenue and earnings outlook. The board announced a quarterly dividend increase of $0.04 per share to $1.44. That's good for an annualized yield of 5.6%.

Should you buy?

CIBC's stock bounced on the results, moving from $100 to $102 per share. The bank still trades at less than nine times trailing earnings, which appears cheap given the solid earnings results and the overall strength of the U.S. and Canadian economies.

Ongoing volatility should be expected in the near term, but if you are searching for a reliable dividend-growth stock with above-average yield to add to your portfolio, CIBC should be an attractive buy-and-hold pick for a TFSA or RRSP portfolio right now.

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. Business Insider
2. Msn

3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Bank Stocks
2. Dividend Stocks
3. Investing

Date
2025/08/15
Date Created
2019/08/27
Author
aswalker