



Canadian Imperial Bank of Commerce (TSX:CM) Disappoints Again... Time to Sell?

Description

As a contrarian at heart, I'm always looking for opportunities to pay three quarters to get a dollar, even if it means going against the grain with some of the most out of favour stocks.

When it came to **Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)), I had high hopes that the bank would pull the curtain on another round of better-than-feared results. The stock was cheap, and after revealing its fourth-quarter results, the stock became even cheaper.

I've been recommending CIBC while it's traded at an even more significant discount to its peers over the past year, going as far as recommending the bank as my top pick for December.

But when CIBC managed to trip and fall on its face when attempted to hop over a bar that was already lowered to the ground for Q4, my top pick for December turned sour in a hurry. It was [an embarrassing call](#), to say the least, but I'm not one to praise my winners and not be held accountable for my losers.

CIBC has become much cheaper after its Q4 drop, but have I changed my tune after earnings results that can only be described as abysmal?

I believe so. And I personally threw in the towel on the name post-earnings, even though I'm usually very reluctant to sell any names on the dip. Yes, the fourth-quarter numbers were that bad.

Heading into the quarter, most knew that it would be nothing to write home about. Thus, there was some allowance for provisioning (and all the sort), but not to the magnitude that CIBC delivered.

The expectation was that CIBC's PCLs would be flat to negative, so it wasn't a surprise that the stock sold-off violently when PCLs soared by a staggering 70% year over year.

Adjusted cash EPS fell 5% year over year to \$2.84, missing the consensus estimate of \$3.06, and top-line growth was just as unimpressive at just over 4% — a brutal quarter for the books.

Management guided low-single-digit earnings growth for 2020, nothing that its efficiency ratio targets

are unlikely to be hit because of the tremendous industry headwinds.

Sure, you could blame the environment for this, but with names like **National Bank of Canada** outperforming in spite of the industry-wide pressures, I think you can only point the finger at management.

The bank isn't just poorly structured as I initially thought; it's *abysmally* structured, especially compared to some of its peers in the space.

CIBC let its guard down when it grew its loan book at a fast and furious rate in hopes of catching up to its bigger brothers, and now it's paying the ultimate price.

CIBC may be a cheap stock, but it's cheap for a very good reason. As credit continues to normalize, there could be further downside in the name as the loan book continues to crumble like a paper bag.

So, it's time to move on and [cut your losses](#).

CATEGORY

1. Bank Stocks
2. Dividend Stocks

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

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