



How Much in Dividends You'll Receive With \$10,000 Invested in BMO (TSX:BMO) Stock

Description

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) is one of the largest companies on the TSX. It is the fourth-largest Canadian bank in terms of market cap. It is also the eight-largest North American bank by assets. Due to its huge market presence, BMO enjoys strong investor trust.

BMO serves over 12 million customers globally, with eight million personal and commercial customers in Canada and two million personal, small business, and commercial customers south of the border.

Bank of Montreal has a diversified business

Bank stocks have been hit hard due to the COVID-19 pandemic. Investors are concerned over high unemployment rates that might increase the rate of mortgage and enterprise defaults. However, the Bank of Montreal is a banking heavyweight with a strong balance sheet and has survived multiple recessions.

BMO has an active presence in Canada and in the international markets of the U.S., Europe, and Asia. It is well positioned to accelerate growth due to its diversified business. BMO has increased its earnings per share by 8% in the last two years and is targeting a long-term EPS growth between 7% and 10% going forward.

A look at BMO's dividend growth

BMO stock is trading on the TSX at \$72.26, which is 31% below its 52-week high. The recent pullback in BMO's stock price has increased its dividend yield to 5.9%. So, an investment of \$10,000 in BMO stock would generate \$590 in annual dividend income.

The company has [increased dividends from](#) \$1.85 per share in 2005 to \$4.24 per share in 2020. This indicates an annual dividend increase of 6% per year. So, if BMO continues to increase dividends at the same rate, you will earn annual dividends of \$10.2 per share by 2035.

You can create significant wealth by investing in dividend-growth companies. For example, investors could have purchased 175 BMO shares for \$10,000 back in 2005. This would have earned approximately \$324 in dividends in 2005, given its dividend per share of \$1.85. At BMO's current dividend payout of \$4.24 per share, annual dividend income for 175 shares would be \$742, and this can rise to \$1,785 by 2035 based on the above estimates.

What next for BMO shareholders?

BMO reported an adjusted net income of \$715 million in the fiscal second quarter of 2020 (ended in April) compared to its net income of \$1.52 billion in the prior-year period. Analysts expect earnings to decline by a massive 30% in fiscal 2020 due to the COVID-19 pandemic.

BMO stock has a forward price-to-earnings multiple of 11.1 and a price-to-book ratio of 0.94. Its forward price-to-sales multiple is also low at 1.94. We can see that the stock is trading at an attractive valuation considering its earnings might rise 23% in 2021.

The second half of 2020 will be volatile given the uncertain macroeconomic scenario. However, there is a good chance that BMO stock will outperform the broader equity markets over the next 18 months, given its [low valuation](#) and strong financials.

Analysts tracking BMO expect its stock price to reach \$76.1 in the next 12 months. This is 5.3% above its current trading price. After accounting for BMO's forward yield of 5.9%, investors can generate annual returns of over 10%.

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