Forget CIBC: 2 Canadian Dividend Stocks That Are a Better Value

Description

CIBC (TSX:CM)(NYSE:CM) did an outstanding job of persevering through the coronavirus crisis as provisions for credit losses (PCLs) surged. The Canadian bank had a reputation for being a drastic underperformer during crises.

After crumbling like a paper bag during the Great Financial Crisis of 2008 and the aftermath of the dot-com bust, few would have thought CIBC would have been one of the names to fully recover from the Great Coronavirus Recession in less than a year and with less peak-to-trough downside than other more premier banks like **Bank of Montreal**.

Undoubtedly, CIBC isn't the same ticking timebomb of a bank that it used to be. Gone are the days where it overextended credit in good times only to have to slog through the next crisis.

In numerous prior pieces, I've praised CIBC for reinventing itself under its new management led by CEO Vic Dodig. The man and his team deserve a round of applause for navigating through the storm. While I'm a huge fan of the "new CIBC," I can't say I'm enticed by the valuation, with the stock now at $145 and change.

Is CIBC an improved bank that's worthy of a multiple more in line with its bigger brothers in the Big Five? Sure, but is it worthy of a premium to the likes of a **TD Bank** (TSX:TD)(NYSE:TD)? I'd argue not.

CIBC: Underdog no more

At the time of writing, CIBC stock's valuation seems a tad too steep at 12.3 times trailing earnings, which is higher than TD's 11.2 times trailing earnings multiple. CIBC is by no means an expensive stock, but given shares have historically traded at a single-digit P/E multiple, I'd argue that there's no longer that impressive value proposition.

For those looking for more bang for their buck, 4.6%-yielding **Telus** (TSX:T)(NYSE:TU) and 3.6%-yielding TD Bank are worth a second look.

Telus stock: 5G tailwinds up ahead

Telus stock may be at all-time highs, but shares still seem undervalued, given the perfect storm of tailwinds that could be on the horizon. Telus has been spending heavily on 5G infrastructure, which should help the company pay ample dividends for years to come. As the economy reopens, and people have more excess cash to finally upgrade their mobile devices to be 5G enabled, Telus is poised to be a winner that will keep on winning.

COVID-19 dealt a big blow to Telus. Still, the company was able to get back on its feet quicker than its peers, stealing a bit of share from competitors on its turf. Moving ahead, I expect more share-taking, as Telus looks to make the most of the jump to the next generation of telecom tech.

At 25.5 times forward earnings, Telus may seem pricier than CIBC, but given the catalysts, I'd argue Telus not only the more undervalued play, but it's also a timelier bet.

TD Bank: Still a premium bank stock

TD Bank had a tough 2020, but like CIBC, shares have rocketed above and beyond their pre-pandemic highs on the prospect of higher rates, shrinking PCLs and recovering loan growth. Moving ahead, I'd look for TD to make a big acquisition in the U.S. market. TD is already Canada's most American bank. And another acquisition, I believe, could further bolster the bank's quality of earnings.

With its retail focus, TD has a less-volatile earnings stream. And as things return to normal, I'd look for the market to re-value shares to the upside. In short, TD is a premium bank stock with a not-so-premium price tag.

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3. NYSE:TU (TELUS)
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