



## Value Investor Alert: This Reddit Stock Could Rally on Fundamentals

### Description

Established in 1817, **the Bank of Montreal** ([TSX:BMO](#))([NYSE:BMO](#)) is a [highly diversified financial services provider](#) based in North America. Bank of Montreal (BMO) has a deep sense of purpose and a clear strategy for long-term growth. It is the eighth-largest bank in North America by assets, with total assets of \$949 billion, and has an engaged and diverse base of employees.

BMO provides a broad range of personal and commercial banking, wealth management, global markets, and investment banking products and services, conducting business through three operating groups which include personal and commercial banking, wealth management, and capital markets. The bank serves eight million customers across Canada through the company's personal and commercial banking arm.

### Top-tier total shareholder return

In the United States, the bank serves more than two million personal, business, and commercial banking customers through BMO Harris Bank, based in the U.S. Midwest. BMO also [serves customers](#) through the bank's wealth management businesses.

The capital markets division provides a full suite of financial products and services to North American and international corporate, institutional, and government clients through the bank's investment and corporate banking and global markets divisions.

The bank's medium-term financial objectives for certain important performance measures establish a range of performance objectives over time. BMO aims to deliver top-tier total shareholder return and achieve financial objectives by aligning the operations and executing, the bank's strategic priorities.

### Rigorous business planning

Further, BMO's business planning process is rigorous, sets ambitious goals, and considers the prevailing economic conditions, risk appetite, customers' evolving needs, and the opportunities

available across the lines of business.

It includes clear and direct accountability for annual performance that is measured against both internal and external benchmarks and progress toward the bank's strategic priorities.

The medium-term financial objectives on an adjusted basis are to achieve average annual earnings per share growth of 7% to 10%, earn an average annual return on equity (ROE) of 15% or more, generate average annual net operating leverage of 2% or more and maintain capital ratios that exceed regulatory requirements.

These objectives have been identified by the bank as guideposts as it executes against the company's strategic priorities.

## Focus on profitability

In managing operations and risk, BMO recognizes that current profitability and the ability to meet these objectives in a single period must be balanced with the need to invest in the businesses for future long-term health and growth prospects. The COVID-19 pandemic has had a negative impact on the global economy and there has been a corresponding negative impact on the bank's financial results in 2020.

With interest rates expected to remain low over the medium term and expectations for increased capital requirements, ROE of 15% will be challenging to meet in the near term, although BMO believes it to be an appropriate objective as the bank continues to invest in areas of strategic importance and enhance the efficiency and profitability of the bank's business.

BMO is well-capitalized with a common equity Tier 1 ratio of 11.9% and has been extensively discussed in social media sites such as Reddit.

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