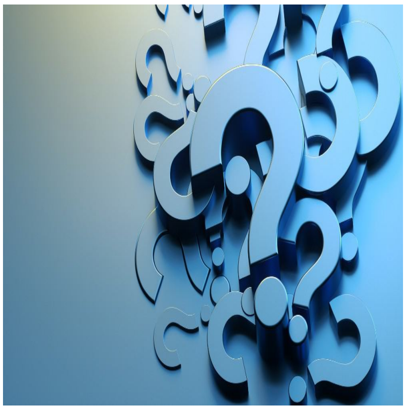

Why CIBC (TSX:CM) Stock Fell Despite Beating Revenue Estimates

Description

The Big Six banks all performed well during the last few weeks' earnings reports. And **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM) was one of them. However, despite beating analyst estimates, the stock continues to trade down since the earnings report. So, what's happening, and what should investors do with CIBC stock on the **TSX** today?

What happened?

CIBC stock announced a strong earnings report yet again for the quarter. The company announced adjusted earnings per share (EPS) of $3.93 — 45% higher than the year before. Net income was also on the rise — up 48% year over year to $1.73 billion — and total revenue was up 7% to $5.06 billion. Meanwhile, the rise in loan demand continued to increase, up 4% since last year. Best yet, CIBC reported a $99 million reversal of credit losses. That's compared to a credit loss provision of $525 million last year!

The issue came with expenses. CIBC stock had to join the club when it came to decreasing expenses to clients and thus increasing its own. The Big Six bank announced it would reduce trailing commissions and management fees. The company also may see a decrease in the future from low interest rates in the short term on the TSX today.

So what?

The combination of having to continue to be competitive while also modernizing *and* adjusting for low interest rates put a lot of pressure on CIBC stock. Instead of rising as some of its peers have, there was a pullback in the stock after reaching all-time highs. That's despite excellent news for the company.

Even though it looks like it can afford the lower rates and taking on lower fees, it's bound to come back to haunt them in the near future. This could also mean a reduction in share price in the future.

However, analysts believe the pull back is actually more due to the huge share growth that happened on the eve of earnings. So, it's more likely investors wanted to get in on the action and take their returns. After all, it entered the pandemic behind its peers and is now set to outperform, according to analysts. This comes from above-average mortgage growth, culminating with the best share performance it's had of any of the Big Six banks over the last six months.

Now what?

Motley Fool investors may want to seize this opportunity to buy some CIBC stock while it's down. Analysts continue to put the average share price in the next year at $158. That's a potential upside of 8% as of writing.

You'll notice that's definitely not as strong growth compared to the last year. CIBC stock is up 51% in the last year, and that's simply not share growth that is sustainable. However, if you look back, CIBC stock has proven to be a strong choice for Motley Fool investors. It rebounds quickly after market crashes and has continued to make improvements that drive share growth.

On top of that, Motley Fool investors can pick up CIBC stock on the TSX today with a P/E ratio of 11.2. That's incredible value considering the past and future growth of this company. Not to mention the stellar dividend yield of 3.99% as of writing. So, while you might see some short-term volatility, this is the perfect stock to have in your long-term portfolio.

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