This Canadian Bank Stock Could Be a Great Buy Following Earnings

Description

After an impressive 2021, the Canadian bank stocks are again outperforming this year. Moreover, the potential for aggressive Federal Reserve interest rate hikes and a recovering economy in the United States can set up these TSX stocks for enormous growth in earnings in the upcoming years.

One of the top bank stocks I think is worth considering right now is **Canadian Imperial Bank of Commerce** (TSX:CM)(NYSE:CM). Let's dive into why.

CIBC smashes first-quarter profit estimates

Canadian Imperial Bank of Commerce blew away analyst expectations for its recently released Q1 earnings report. The Canadian bank reported year-over-year gains at its major divisions and announced a split to its share structure. This move may be enticing to smaller retail investors looking at this bank stock, though it doesn't change the company's fundamentals.

Overall, CIBC's revenue growth was impressive, surging 15% on a year-over-year basis. CIBC brought in $1.87 billion, significantly higher than last year's $1.63 billion. And earnings per share were similarly strong, coming in at $4.08 per share, while analysts were expecting only $3.67 per share.

Much of this growth has been tied to a reduction in the loan-loss provisions the bank has had on its books as well as improving margins. Over time, as interest rates rise, many investors remain bullish on this bank's potential to grow earnings even faster. Such a situation has led to the company's valuation multiple expanding to 11 times earnings — still cheap but certainly more expensive than what it was months ago.

A juicy dividend play

Another reason many investors look at CIBC is the bank's dividend yield. Currently, CIBC provides investors with a yield of 4.1%, and that's after some serious capital appreciation. Indeed, those who locked in sky-high yields near double digits during the onset of the pandemic have been rewarded.

This company's continued growth on the capital-appreciation side, as well as the dividend side, is noteworthy.

Over the past five years, CIBC has hiked its dividend four times at an average rate of 4%. However, much of this slower dividend growth can be attributed to a halt that was put on dividend increases by Canada's financial watchdog. With those restrictions lifted, it's expected that CIBC will continue to pass on its cash flows to shareholders. Whether that's via dividends or share buybacks, investors stand to benefit.

Bottom line

Indeed, there are many reasons why CIBC is a stock worth considering. From a value perspective, there's a lot to like. This company trades at only 11 times earnings. From a growth and dividend perspective, CIBC is well positioned.

Accordingly, investors looking for a more defensive option may want to consider this stock right now.

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