CIBC Stock: Too Cheap to Ignore?

Description

CIBC (TSX:CM)(NYSE:CM) stock is down 14% from its 2022 high. Investors who missed the big rally in the share price after the 2020 market crash are wondering if this is a good time to buy CM stock for their TFSA or RRSP portfolios.

Earnings

CIBC reported solid fiscal Q1 2022 results. Adjusted net income for the three months came in at $1.89 billion. That was up 15% compared to the same period last year and up 20% from fiscal Q4 2021.

CIBC generated adjusted return on equity (ROE) of 17.6%. This puts it near the top of the ladder in Canada and compares to ROE of about 12% on average for American banks and ROE of less than 10% on average for banks in Europe.

Canadian personal and business banking operations saw net income rise 5% in the quarter compared to fiscal Q1 2021. Canadian commercial banking and wealth management reported a 31% jump in net income. CIBC's U.S. commercial banking and wealth management group generated US$178 million in net income in the quarter — a US$32 million increase from the same period last year.

The capital markets division reported a 10% increase in net income.

Overall, CIBC delivered a strong start to fiscal 2022.

CIBC finished the quarter with a CET1 ratio of 12.2%. This is a measure of the bank's capital strength and its ability to withstand an economic shock. The Canadian banks are required to have a CET1 ratio of at least 9%, so CIBC is sitting on excess cash that it built up during the pandemic.

Dividends and share buybacks

CIBC raised the quarterly dividend from $1.46 to $1.61 per share when it announced the year-end

2021 results. The board also approved a share-repurchase plan that will see the bank buy back up to 2.2% of the outstanding common stock over a 12-month period.

At the time of writing, the stock provides a 4.5% dividend yield.

The bank is planning a two-for-one share split to make the stock more appealing to a broader range of investors.

Risks

CIBC is widely considered to have the highest exposure to the Canadian residential housing market. The company has a large mortgage portfolio relative to its size, so a major correction in house prices would likely put the stock price under pressure.

The surge in mortgage rates due to rising bond yields higher interest rates is expected to cool off the hot housing market. If mortgage rates move significantly higher and stay elevated for the next few years, there is a chance that house prices could pull back in a meaningful way. If owners can't afford the higher payments and prices start to slide, a flood of properties could hit the market. A surge in defaults could follow, which would impact CIBC's revenue and earnings.

For the moment, the housing market remains robust with demand outstripping supply. Unemployment is at or near a record low. As long as property owners have jobs, there shouldn't be a large housing shock.

Is CIBC stock a buy now?

CIBC trades near 10 times trailing 12-month earnings at the time of writing. That's an attractive multiple for a bank that is very profitable and has a growing U.S. business to balance out the revenue from the Canadian operations.

Additional downside could be on the way in the near term, but investors with a buy-and-hold strategy might consider adding CIBC stock to their portfolios on any further weakness. You'll get paid well to ride out any turbulence, and the dividend should continue to grow at a steady pace.

CATEGORY

1. Bank Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)

PARTNER-FEEDS

1. Business Insider
2. Koyfin

3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. aswalker
2. kduncombe

Category

1. Bank Stocks
2. Investing

Date
2025/08/24
Date Created
2022/04/15
Author
aswalker