



# Canadian Imperial Bank of Commerce (CM)

Updated September 4<sup>th</sup>, 2023 by Kay Ng

## Key Metrics

<b>Current Price:</b>	\$40	<b>5 Year CAGR Estimate:</b>	13.8%	<b>Market Cap:</b>	\$37B
<b>Fair Value Price:</b>	\$50	<b>5 Year Growth Estimate:</b>	4.0%	<b>Ex-Dividend Date:</b>	09/27/23
<b>% Fair Value:</b>	79%	<b>5 Year Valuation Multiple Estimate:</b>	4.7%	<b>Dividend Payment Date:</b>	10/27/23
<b>Dividend Yield:</b>	6.5%	<b>5 Year Price Target</b>	\$61	<b>Years Of Dividend Growth<sup>1</sup>:</b>	12
<b>Dividend Risk Score:</b>	B	<b>Retirement Suitability Score:</b>	A	<b>Rating:</b>	Buy

## Overview & Current Events

Canadian Imperial Bank of Commerce is a global financial institution that provides banking and other financial services to individuals, small businesses, corporations and institutional clients. CIBC is focused on the Canadian market. The bank was founded in 1961 and is headquartered in Toronto, Canada. If not indicated otherwise, all numbers in this research report are in U.S. dollars.

CIBC reported its fiscal Q3 2023 earnings results on 8/31/23. Its revenue climbed 5% to C\$5,850 million against fiscal Q3 2022. The provision for credit losses (PCL) continued to increase in a negative economic outlook. Weighing on earnings, the PCL tripled to C\$736 million versus the same quarter in the prior year. Adjusted net income declined 9% to C\$1,473 million. Adjusted earnings-per-share ("EPS") fell 11% to C\$1.52. The loan loss ratio moved higher to 0.35% from the prior quarter's 0.29%. And the bank's adjusted return on equity ("ROE") declined further to 11.9%, down from 13.9% in the prior quarter and 15.1% a year ago. The bank's capital position remains solid with a Common Equity Tier 1 ratio of 12.2% versus 11.9% a year ago.

The fiscal year to date results provide a bigger picture. Revenue climbed 6% to C\$17.5 billion year over year. PCL rose 137% to C\$1,469 million, leading to adjusted earnings-per-share ("EPS") declining 9% to C\$5.15. The loan loss ratio was still low at 0.28% versus 0.13% in the prior year period. We update our 2023 EPS estimate to US\$5.02.

## Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>EPS</b>	\$8.25	\$7.86	\$7.06	\$7.67	\$8.62	\$9.19	\$9.04	\$7.53	\$11.28	\$5.25	<b>\$5.02</b>	<b>\$6.11</b>
<b>DPS</b>	\$3.72	\$3.61	\$3.45	\$3.58	\$3.88	\$4.13	\$4.21	\$4.32	\$4.64	\$2.52	<b>\$2.57</b>	<b>\$3.28</b>
<b>Shares<sup>1</sup></b>	399	397	397	397	439	453	446	447	451	906	<b>918</b>	<b>965</b>

In May 2022, the big Canadian bank stock had a two-for-one stock split, which is why its EPS and dividend-per-share ("DPS") appear much lower in 2022 in the table above. Stock splits do not change the valuation of the stock. The Canadian bank's goal is to grow adjusted EPS by 7-10% per year over a 3- to 5-year period under a normal cycle. However, its earnings and dividends have been bumpy due partly to the foreign exchange fluctuations between the U.S. dollar and the Canadian dollar. From 2013 to 2022, the bank increased its EPS and DPS by 2.7% and 3.4%, respectively, per year in US\$. And from 2017-2022, its EPS and DPS growth rates were 4.0% and 5.4%, respectively. Fiscal 2020 was one of those abnormal years with a pandemic triggering a decline in CIBC's earnings. For the bank, one key area of growth is its loans and deposits portfolio. Rising loans lead to higher net interest income, which is a key source of CIBC's revenues. CIBC's Q3 deposits and loans and acceptances only rose 1% and 1.8% versus 2022, indicating slower growth in a sluggish economy. We project an EPS growth rate of 4.0% through 2028. We expect a dividend growth rate of 5.0% through 2028.

<sup>1</sup> Years of Dividend Growth in C\$; Shares in millions.

Disclosure: Kay Ng owns shares of CM.



# Canadian Imperial Bank of Commerce (CM)

Updated September 4<sup>th</sup>, 2023 by Kay Ng

## Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	9.5	10.5	10.8	10.1	9.9	10.3	9.2	8.9	10.9	10.0	7.9	10.0
Avg. Yld.	4.3%	4.1%	5.1%	4.5%	4.1%	5.5%	5.1%	6.0%	4.0%	4.8%	6.5%	5.4%

CIBC tends to trade at a lower valuation. From fiscal 2013 to 2022, its price-to-earnings averaged 10.0, while its yield averaged 4.8%. We think a target P/E of 10.0 is reasonable for the long term. The bank stock is undervalued today. Its yield likely won't stray far away from the 5% range in the long run. As a Canadian stock, CIBC's dividends may be subject to a 15% dividend withholding tax for U.S. investors. This tax can potentially be avoided by investing in CIBC through a retirement account.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	45%	46%	49%	47%	45%	45%	47%	57%	41%	48%	51%	54%

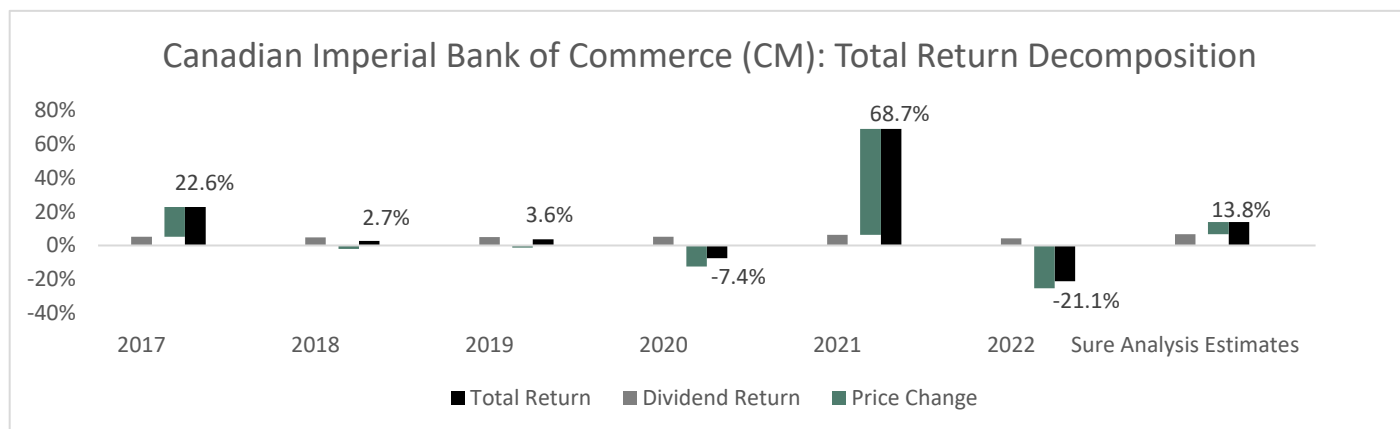
During the last financial crisis that triggered a recession in 2008/2009, the bank stock increased its dividend every year (in the local currency of Canadian dollars), except for fiscal 2009 and 2010 in which it maintained the dividend. The regulator stepped in to be prudent of the potential economic earthquake at that time. During that period, CIBC's adjusted EPS fell about 31% from fiscal 2007-2009 before recovering and having a nine-year run through fiscal 2018. In 2020, CIBC experienced an adjusted EPS decline of 19%. The regulator stepped in again to prevent CIBC and its peers from increasing their dividends. As soon as the regulator loosened restrictions, the big Canadian banks, including CIBC, raised their dividends.

CIBC is the 5<sup>th</sup> largest bank in its main market, Canada. It is also not one of the largest banks in the U.S. This is not necessarily a headwind, as both banking markets are large enough for different players. Due to a focus on consumer banking, and especially mortgages, which usually are insured in Canada, CIBC has a relatively low-risk portfolio relative to other banks. Its performance in the last financial crisis was not good, but also not as disastrous as that of many of its North American peers.

## Final Thoughts & Recommendation

We forecast 13.8% in total returns annually over the next five years, consisting of a yield of 6.5%, 4.0% earnings-per-share growth, and a 4.7% tailwind from a price-to-earnings ratio expansion. We rate CIBC as a Buy.

## Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

<sup>1</sup> Years of Dividend Growth in C\$; Shares in millions.

Disclosure: Kay Ng owns shares of CM.



# Canadian Imperial Bank of Commerce (CM)

Updated September 4<sup>th</sup>, 2023 by Kay Ng

## Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenue</b>	12,308	11,985	11,021	10,890	12,137	13,755	13,895	13,882	15,865	16,917
<b>SG&amp;A Exp.</b>	4,435	4,516	4,097	3,859	4,190	4,657	4,578	4,605	5,315	5,818
<b>D&amp;A Exp.</b>	347	746	351	348	414	511	631	975	808	813
<b>Net Profit</b>	3,288	2,953	2,881	3,224	3,593	4,094	3,834	2,819	5,110	4,831
<b>Net Margin</b>	26.7%	24.6%	26.1%	29.6%	29.6%	29.8%	27.6%	20.3%	32.2%	28.6%
<b>Free Cash Flow</b>	4,844	-15,438	15,493	7,573	1,879	7,471	13,816	44,621	-3,315	16,782
<b>Income Tax</b>	614	641	511	541	888	1,105	1,014	817	1,491	1,344

## Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Assets (B)</b>	380	370	352	374	441	455	495	578	676	693
<b>Cash &amp; Equivalents</b>	6,886	13,209	15,213	11,316	12,203	15,768	17,339	53,797	55,895	53,881
<b>Accounts Receivable</b>	1,057	948	1,015	982	1,140	1,646	1,650	1,378	1,719	2,412
<b>Goodwill &amp; Int. Ass.</b>	2,375	2,158	2,069	2,198	5,725	5,723	5,634	5,415	5,635	5,834
<b>Total Liabilities (B)</b>	363	354	336	356	416	428	466	547	639	656
<b>Accounts Payable</b>	3,039	2,811	3,033	3,087	3,856	5,539	6,410	6,497	7,140	8,255
<b>Long-Term Debt (B)</b>	52	39	97	99	109	112	111	109	132	138
<b>Shareholder's Equity</b>	15,372	15,705	15,467	16,751	22,790	24,919	27,014	28,207	33,344	33,255
<b>D/E Ratio</b>	3.03	2.35	5.98	5.66	4.49	4.22	3.81	3.52	3.60	3.74

## Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Return on Assets</b>	0.9%	0.8%	0.8%	0.9%	0.9%	0.9%	0.8%	0.5%	0.8%	0.7%
<b>Return on Equity</b>	21.5%	19.0%	18.5%	20.0%	18.2%	17.2%	14.8%	10.2%	16.6%	14.5%
<b>ROIC</b>	4.6%	4.7%	3.4%	2.8%	2.9%	3.0%	2.7%	2.0%	3.3%	2.8%
<b>Shares Out.</b>	803	797	796	792	827	889	891	892	900	906
<b>Revenue/Share</b>	15.34	15.04	13.85	13.75	14.67	15.47	15.60	15.56	17.62	18.68
<b>FCF/Share</b>	6.04	-19.37	19.47	9.56	2.27	8.40	15.51	50.02	-3.68	18.53

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.