



Canadian Imperial Bank of Commerce (CM)

Updated March 19th, 2025 by Kay Ng

Key Metrics

Current Price:	\$57	5 Year CAGR Estimate:	8.4%	Market Cap:	\$53B
Fair Value Price:	\$54	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	03/28/25
% Fair Value:	105%	5 Year Valuation Multiple Estimate:	-0.9%	Dividend Payment Date:	04/28/25
Dividend Yield:	4.8%	5 Year Price Target	\$69	Years Of Dividend Growth¹:	14
Dividend Risk Score:	B	Retirement Suitability Score:	A	Rating:	Hold

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 Q1 2025 earnings results on 2/27/25. For the quarter, the bank's revenue climbed 17% year over year ("YOY") to C\$7.3 billion. Provision for credit losses ("PCL") was C\$573 million, down 2% from a year ago. Naturally, the loan loss ratio was 0.31%, down from 0.36% a year ago. And net income came in C\$2.2 billion (up 26%). Adjusted net income came in 23% higher at C\$2.2 billion. Ultimately, adjusted earnings per share ("EPS") rose 22% to C\$2.20. The adjusted return on equity was 15.3%, up from 13.8% a year ago. The bank's capital position remains solid with a Common Equity Tier 1 ratio of 13.5%, up from 13.0% a year ago. The net interest margin was flat at 1.50% compared to a year ago.

After leading the bank for over 10 years, CEO Victor G. Dodig will be retiring in October, and Harry Culham, the head of the bank's capital markets will take over the CEO role in November. We maintain our fiscal 2025 EPS estimate at US\$5.53.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$7.06	\$7.67	\$8.62	\$9.19	\$9.04	\$7.53	\$11.28	\$5.25	\$4.96	\$5.27	\$5.53	\$7.06
DPS	\$3.45	\$3.58	\$3.88	\$4.13	\$4.21	\$4.32	\$4.64	\$2.52	\$2.55	\$2.67	\$2.71	\$3.46
Shares¹	397	397	439	453	446	447	451	906	931	942	940	987

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 2015 to 2024, the bank increased its EPS and DPS by 4.6% and 4.9%, respectively, per year in US\$. 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. The increased loan book leads to higher net interest income, which is a key source of CIBC's revenues. CIBC's fiscal Q1 2025 deposits and loans and acceptances, rose 8.0% and 5.3% YOY, respectively. The bank's medium-term target for its EPS growth is 7-10% annually. We project a more conservative EPS and DPS growth rate of 5.0% through 2030.

¹ Years of Dividend Growth in C\$; Shares in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	10.8	10.1	9.9	10.3	9.2	8.9	10.9	10.0	8.3	10.0	10.3	9.8
Avg. Yld.	5.1%	4.5%	4.1%	5.5%	5.1%	6.0%	4.0%	4.8%	6.0%	5.5%	4.8%	5.0%

CIBC tends to trade at a lower valuation. From fiscal 2015 to 2024, its price-to-earnings averaged 9.8, while its yield averaged 5.1%. From 2020 to 2024, its P/E averaged 9.6, while its dividend yield averaged 5.3%. We think a target P/E of 9.8 is reasonable. The bank stock appears to be fairly valued at current levels. 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 can possibly be avoided by holding in CIBC in a retirement account.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	49%	47%	45%	45%	47%	57%	41%	48%	51%	51%	49%	49%

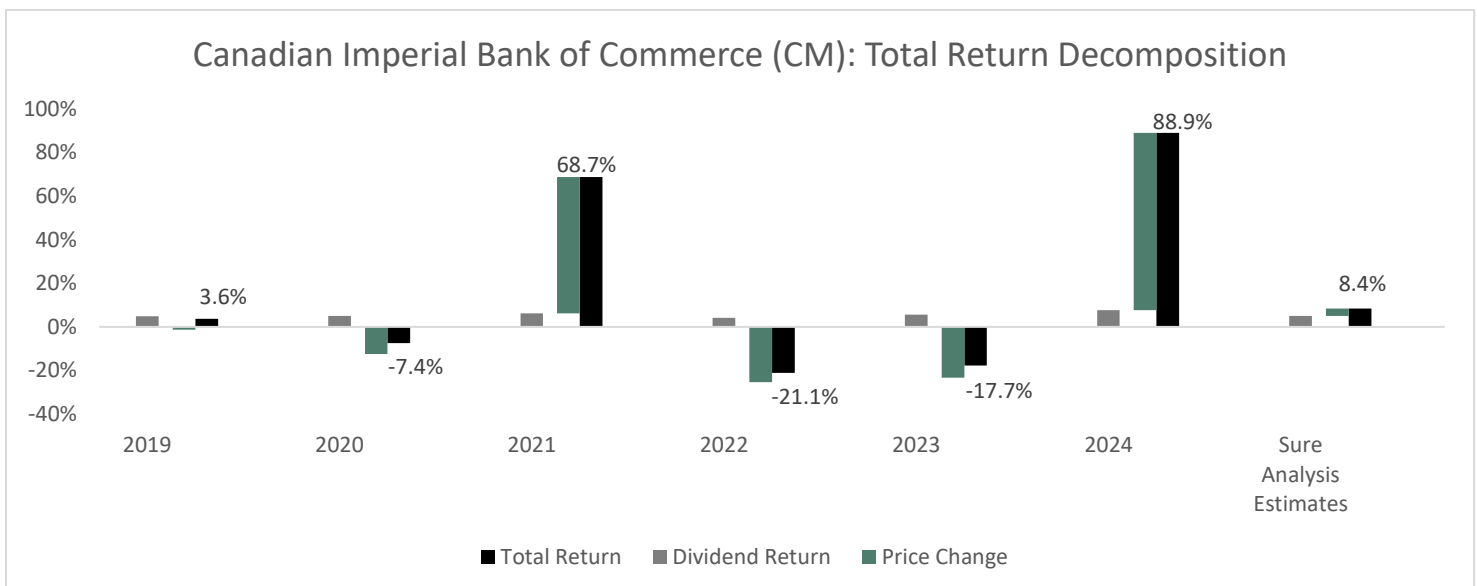
During the last financial crisis that triggered a recession in 2008/2009, the bank stock increased its dividend every year (in the local currency of Canadian dollars), except for fiscal 2009 and 2010 in which it maintained the dividend. The regulator stepped in to be prudent of the potential economic 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%.

CIBC is the fifth largest bank in its main market, Canada. 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 in a normal market. CIBC's 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 8.4% in total returns annually over the next five years, consisting of a yield of 4.8%, 5.0% earnings-per-share growth, and a 0.9% headwind from a price-to-earnings ratio compression. We maintain a hold rating on CIBC stock.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	11,021	10,890	12,137	13,755	13,895	13,882	15,865	16,917	17,270	18,760
SG&A Exp.	4,097	3,859	4,190	4,657	4,578	4,605	5,315	5,818	5,820	6,323
D&A Exp.	351	348	414	511	631	975	808	813	847	860
Net Profit	2,881	3,224	3,593	4,094	3,834	2,819	5,110	4,831	3,706	5,228
Net Margin	26.1%	29.6%	29.6%	29.8%	27.6%	20.3%	32.2%	28.6%	21.4%	27.9%
Free Cash Flow	15,493	7,573	1,879	7,471	13,816	44,621	-3,315	16,782	8,255	7,347
Income Tax	511	541	888	1,105	1,014	817	1,491	1,344	1,433	1,478

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (B)	352	374	441	455	495	578	676	693	706	749
Cash & Equivalents	15,213	11,316	12,203	15,768	17,339	53,797	55,895	53,881	45,680	40,280
Accounts Receivable	1,015	982	1,140	1,646	1,650	1,378	1,719	2,412	3,148	3,919
Goodwill & Int.	2,069	2,198	5,725	5,723	5,634	5,415	5,635	5,834	5,905	5,948
Total Liabilities (B)	336	356	416	428	466	547	639	656	667	707
Accounts Payable	3,033	3,087	3,856	5,539	6,410	6,497	7,140	8,255	9,574	10,160
Long-Term Debt (B)	97	99	109	112	111	109	132	138	141	150
Shareholder's Equity	15,467	16,751	22,790	24,919	27,014	28,207	33,344	33,255	34,710	38,670
D/E Ratio	5.98	5.66	4.49	4.22	3.81	3.52	3.60	3.74	3.68	3.55

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.8%	0.9%	0.9%	0.9%	0.8%	0.5%	0.8%	0.7%	0.5%	0.7%
Return on Equity	18.5%	20.0%	18.2%	17.2%	14.8%	10.2%	16.6%	14.5%	9.8%	12.9%
ROIC	3.4%	2.8%	2.9%	3.0%	2.7%	2.0%	3.3%	2.8%	2.1%	2.8%
Shares Out.	796	792	827	889	891	892	900	906	916	942
Revenue/Share	13.85	13.75	14.67	15.47	15.60	15.56	17.62	18.68	18.84	19.92
FCF/Share	19.47	9.56	2.27	8.40	15.51	50.02	-3.68	18.53	9.01	7.80

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

Disclaimer

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