



# Canadian Imperial Bank of Commerce (CM)

Updated September 10<sup>th</sup>, 2024 by Kay Ng

## Key Metrics

<b>Current Price:</b>	\$60	<b>5 Year CAGR Estimate:</b>	4.9%	<b>Market Cap:</b>	\$56.9B
<b>Fair Value Price:</b>	\$50	<b>5 Year Growth Estimate:</b>	4.0%	<b>Ex-Dividend Date:</b>	09/27/24
<b>% Fair Value:</b>	119%	<b>5 Year Valuation Multiple Estimate:</b>	-3.5%	<b>Dividend Payment Date:</b>	10/28/24
<b>Dividend Yield:</b>	4.4%	<b>5 Year Price Target</b>	\$61	<b>Years Of Dividend Growth<sup>1</sup>:</b>	13
<b>Dividend Risk Score:</b>	B	<b>Retirement Suitability Score:</b>	A	<b>Rating:</b>	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 Q3 2024 earnings results on 08/29/24. For the quarter, the bank's revenue climbed 13% year over year ("YOY") to C\$6.6 billion. Provision for credit losses ("PCL") was C\$483 million, down 34% from a year ago. Naturally, the loan loss ratio was 0.29%, down from 0.35% a year ago. And net income came in C\$1.8 billion (up 25%). Adjusted net income came in 10% higher at C\$1.9 billion. Ultimately, adjusted earnings per share ("EPS") rose 27% to C\$1.93. And the adjusted return on equity was 13.4%, down from 13.9% a year ago. The bank's capital position remains solid with a Common Equity Tier 1 ratio of 13.3% versus 12.2% a year ago.

The fiscal year to date results provide a bigger picture. Revenue was C\$19.0 billion (up 8.6%) with net interest income rising 4.5% to C\$10.1 billion and non-interest income rising 14% to C\$8.9 billion. PCL climbed 7.7% to C\$1.6 billion. Although the loan loss ratio was higher, it was still low at 0.33% versus 0.28% a year ago. The net interest margin remained essentially flat at 1.35%. Ultimately, the adjusted EPS was C\$5.50 (up 6.6% year over year). In light of the latest results, we improve our fiscal 2024 EPS estimate to US\$5.31.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	\$7.86	\$7.06	\$7.67	\$8.62	\$9.19	\$9.04	\$7.53	\$11.28	\$5.25	\$4.96	<b>\$5.31</b>	<b>\$6.46</b>
<b>DPS</b>	\$3.61	\$3.45	\$3.58	\$3.88	\$4.13	\$4.21	\$4.32	\$4.64	\$2.52	\$2.55	<b>\$2.68</b>	<b>\$3.26</b>
<b>Shares<sup>1</sup></b>	397	397	397	439	453	446	447	451	906	931	<b>945</b>	<b>992</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 2014 to 2023, the bank increased its EPS and DPS by 2.6% and 3.9%, 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. Rising loans lead to higher net interest income, which is a key source of CIBC's revenues. CIBC's fiscal 2023 deposits and loans and acceptances, respectively, rose 3.7% and 2.2% versus 2022. For fiscal Q3 2024, deposits and average loans and acceptances were up 5.5% and 2.2%, respectively, year over year. We project an EPS and DPS growth rate of 4.0% through 2029.

<sup>1</sup> 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	10.5	10.8	10.1	9.9	10.3	9.2	8.9	10.9	10.0	8.3	11.4	9.5
Avg. Yld.	4.1%	5.1%	4.5%	4.1%	5.5%	5.1%	6.0%	4.0%	4.8%	6.0%	4.4%	5.3%

CIBC tends to trade at a lower valuation. From fiscal 2014 to 2023, its price-to-earnings averaged 9.9, while its yield averaged 4.9%. From 2019 to 2023, its P/E averaged 9.5, while its dividend yield averaged 5.2%. We think a target P/E of 9.5 is more reasonable given the lower EPS estimate. The bank stock appears to be expensive 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	46%	49%	47%	45%	45%	47%	57%	41%	48%	51%	50%	50%

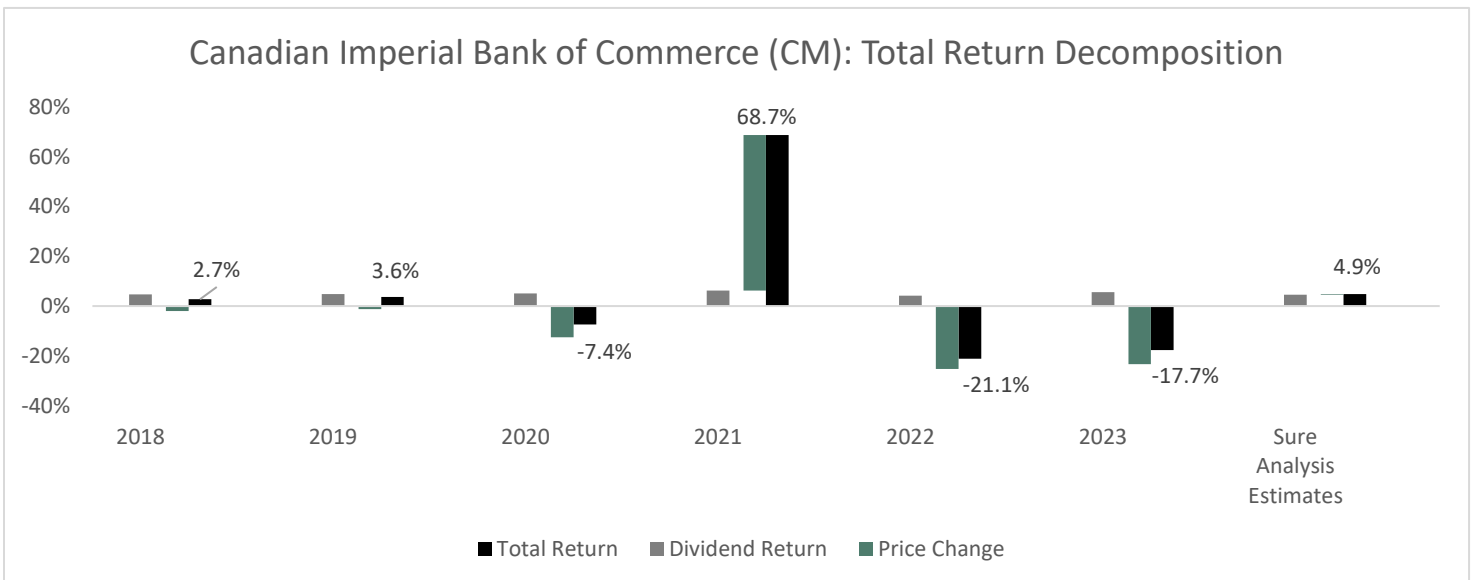
During the last financial crisis that triggered a recession in 2008/2009, the bank stock increased its dividend every year (in the local currency of Canadian dollars), except for fiscal 2009 and 2010 in which it maintained the dividend. The regulator stepped in to be prudent of the potential economic 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 4.9% in total returns annually over the next five years, consisting of a yield of 4.4%, 4.0% earnings-per-share growth, and a 3.5% headwind from a price-to-earnings ratio compression. We rate CIBC as a Hold.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenue</b>	11,985	11,021	10,890	12,137	13,755	13,895	13,882	15,865	16,917	17,260
<b>SG&amp;A Exp.</b>	4,516	4,097	3,859	4,190	4,657	4,578	4,605	5,315	5,818	5,820
<b>D&amp;A Exp.</b>	746	351	348	414	511	631	975	808	813	847
<b>Net Profit</b>	2,953	2,881	3,224	3,593	4,094	3,834	2,819	5,110	4,831	3,701
<b>Net Margin</b>	24.6%	26.1%	29.6%	29.6%	29.8%	27.6%	20.3%	32.2%	28.6%	21.4%
<b>Free Cash Flow</b>	-15,438	15,493	7,573	1,879	7,471	13,816	44,621	-3,315	16,782	8,255
<b>Income Tax</b>	641	511	541	888	1,105	1,014	817	1,491	1,344	1,431

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Assets (B)</b>	370	352	374	441	455	495	578	676	693	706
<b>Cash &amp; Equivalents</b>	13,209	15,213	11,316	12,203	15,768	17,339	53,797	55,895	53,881	45,680
<b>Accounts Receivable</b>	948	1,015	982	1,140	1,646	1,650	1,378	1,719	2,412	3,148
<b>Goodwill &amp; Int. Ass.</b>	2,158	2,069	2,198	5,725	5,723	5,634	5,415	5,635	5,834	5,905
<b>Total Liabilities (B)</b>	354	336	356	416	428	466	547	639	656	667
<b>Accounts Payable</b>	2,811	3,033	3,087	3,856	5,539	6,410	6,497	7,140	8,255	9,574
<b>Long-Term Debt (B)</b>	39	97	99	109	112	111	109	132	138	141
<b>Shareholder's Equity</b>	15,705	15,467	16,751	22,790	24,919	27,014	28,207	33,344	33,255	34,750
<b>D/E Ratio</b>	2.35	5.98	5.66	4.49	4.22	3.81	3.52	3.60	3.74	3.67

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Return on Assets</b>	0.8%	0.8%	0.9%	0.9%	0.9%	0.8%	0.5%	0.8%	0.7%	0.5%
<b>Return on Equity</b>	19.0%	18.5%	20.0%	18.2%	17.2%	14.8%	10.2%	16.6%	14.5%	10.9%
<b>ROIC</b>	4.7%	3.4%	2.8%	2.9%	3.0%	2.7%	2.0%	3.3%	2.8%	2.1%
<b>Shares Out.</b>	797	796	792	827	889	891	892	900	906	916
<b>Revenue/Share</b>	15.04	13.85	13.75	14.67	15.47	15.60	15.56	17.62	18.68	18.84
<b>FCF/Share</b>	-19.37	19.47	9.56	2.27	8.40	15.51	50.02	-3.68	18.53	9.01

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

### Disclaimer

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