

## I. Introduction

Canadian Imperial Bank of Commerce (CIBC) is a financial services and banking corporation based in Toronto, Canada. Founded in 1961, CIBC is now one of the largest banks nationally, being among the top choices for consumers in terms of commercial banking services. With over 45,000 employees working for the company both domestically and in its international ventures, the bank has repeatedly found success through economic opportunities under its strong leadership/management.

## II. Key Individuals

Victor G. Dodig is the President & CEO of Canadian Imperial Bank of Commerce, transforming the bank into a relationship-oriented institution based upon growth and commitment to all stakeholders involved. Having worked numerous years in senior positions at CIBC under previous management, Dodig is extremely experienced with the inner workings and internal aspects of the company specifically. Dodig graduated from Harvard University with a Master of Business Administration, and earlier with a Bachelor of Commerce from the University of Toronto. He worked as a Managing Director for Merrill Lynch in Canada, the US, and UK, as well as the Managing Director and CEO of UBS Global Asset Management in Canada.

Throughout his experience, Dodig also led and promoted economic growth for Canada on the world stage, serving as the current Chair of the Business Council of Canada, and was previously the President of the 2022 International Monetary Conference. He is a member of the International Advisory Committee of the Brookings Institute and serves on the board of Telus Corporation Inc.

Hratch Panossian is the Chief Financial Officer and Senior Executive Vice President for CIBC, working in strategy and corporate development combined with financial planning, management, and analysis. Prior to his experience at CIBC, Hratch held strategy and corporate development roles at other North American banks, and a management consultant with Oliver Wyman's Finance Practice. Hratch began his career in Silicon Valley working in fintech through technical and business roles, following his graduation from Stanford University with a master's degree and an undergraduate engineering degree from McGill University.

Frank Guse is the Chief Risk Officer at Canadian Imperial Bank of Commerce, overseeing risk management teams and functions throughout the corporation to ensure the safety, legality, and security of the funds being held by the bank. Earlier in his career, Frank worked at McKinsey & Company's in risk management in Germany, working across multiple international backgrounds with clients in Asia, Europe, and North America. Guse has a PhD in Quantitative Finance and a

Business Administration degree from WHU - Otto Beisheim School of Management, and Economics degree from FernUniversität Hagen and is a Chartered Financial Analyst.

### **III. Fundamental Analysis**

#### **Profitability & Returns**

Canadian Imperial Bank of Commerce has recently seen high margins indicating immediate profitability and business model efficiency. The bank has a net margin of up to 22.77% and a Trailing Twelve Months operating margin of 38.58% as of March 15, 2023. Their gross margin is likewise extremely high, scoring at 99.05%, though much of this could be attributed to the financial banking nature of their business.

The high earning capability operations-wise supported by a large customer base that is growing more financially literate and aware drives profitability and earnings for CIBC, which results in long-term stock price growth. The aging population of North America the company is situated in results in increased amounts of individuals preparing for retirement and engaging with financial services and plans associated with institutions such as CIBC. Most of these individuals seek safety and security in regards to these matters, meaning CIBC's situation as one of the largest and most trusted longtime banks in Canada makes it one of the top prospects for consumers.

Furthermore, investors of CIBC enjoy an annual dividend yield of 5.98% as of March 15, 2023. Even prior to rising interest rates which could have contributed to the rise in the stock's yield, CIBC consistently had a yield of above 4% throughout inflation.

#### **Financial Analysis**

CIBC has steady increasing trends across its financial statements, most notably in Revenue, Net Income, and a strong positive Free Cash Flow worth over 22 Billion. Notably, its FCF is significantly higher than its net income, signifying strong financial health and future growth with large sums of funds entering the company.

The company has also seen large investments with cash flow exiting the company on a large scale through investing activities. This signifies future growth from these investments, which we expect to be low-risk and decent growth given CIBC's effective financial management team and staff. The specificities of these investments have been shown to include a portion in PPE, which indicate preparations for expansion of operations and stable, productive assets (investment into two major factors of production).

It is also observed that the majority of the bank's expenses, as expected, are in the form of interest and tax expenses which cannot be controlled or optimized by the bank itself. This indicates effective management of all other operating expenses CIBC can influence, and any

recent declines in earnings is a result of invertible economic effects rather than poor company performance or management, including the relatively small decline of EPS.

To verify this, we can see prior trends discounting significant economic downturns, which are generally positive and see significant increases in cash flow and revenue generated by the company.

The balance sheet of CIBC sees a large amount of total assets outweighing liabilities by a large margin, indicating long term financial safety in terms of paying the bank's debts.

## **Capital Structure**

The capital structure of CIBC is 94.66% Debt and approximately 5.34% Equity (March 15, 2023). With CIBC being one of the most established longtime banks in Canada's market, it is difficult to project future capital structure and is analytically assumed to be at or near the optimal capital structure for its type of businesses.

While this may seem an uneven structure, the large percentage of capital being from debt is natural due to CIBC's commercial banking nature, which involves the utilization of external funds from the common consumer. A 5.34% equity being part of CIBC's capital is considered rather high and shows the company benefits from a better source of funding to some degree.

Unlike debt, equity does not have to be paid back to the investor and could be used to expand business operations or support any recent company losses.

## **Economic Outlook**

The increase in the Fed's discount rates and open market operations of selling bonds reduces the money supply in the market. As the economy responds, it is expected to shrink in economic activity, resulting in decreased and more expensive borrowing, and more consumer saving.

The result is a shift in CIBC's financial management, with more investments lying with government bonds rather than consumer borrowing which faces a decreased demand. This culminates in a lack of confidence in CIBC whenever more bonds are sold causing bond prices to drop, but should see a major recovery in the long term as interest rates eventually decrease and long term bonds being held by the bank becomes more valuable.

The recovery shape of the recession should be examined in the future and in turn, determine whether investing in CIBC can be a long term, stable opportunity or a short term opportunity with large returns.

Additionally, the increase in the currency exchange rate between the USD/CAD pair may impact CIBC's operations internationally, with a large portion of their funds being entered and stored in

CAD by its Canadian consumers. Purchasing US assets becomes more expensive with the exchange rate involved.

## **Institutional Investor Growth**

Canadian Imperial Bank of Commerce sees immense potential for institutional investing and the CANSLIM strategy, featuring a % Held by Institutions of 51.85%. This indicates space for new institutional investors to invest in the company, which culminates in significant growth in its price both in the large amounts being invested and the subsequent consumer demand that might follow.

## **IV. Valuation**

### **Relative Valuation**

According to data as of March 15, 2023, Canadian Imperial Bank of Commerce's relative valuation is extremely undervalued compared to industry averages.

P/E	CIBC possesses a low forward and trailing P/E ratio of 8.73 and 12.20 respectively. This amounts to an extreme undervaluation for the amount of earnings the company is able to generate.
P/S	CIBC is furthermore undervalued in terms of its revenue/sales, with a P/S ratio of 2.52 trailing twelve months (March 15, 2023), below the standard value of 3.0. This shows that investors are willing to pay \$2.52 for every dollar CIBC makes in sales.
P/B	CIBC's price to book ratio of the most recent quarter is slightly higher and overvalued at 1.26. However, this likely only corresponds to a recent decline in the bank's book value.

## **V. Technical Analysis**

CIBC sees a bright short term technical outlook as evident from numerous indicators.

### **Key Levels**

Recent notable CIBC price charts have reached near a support level at 53.71 as of March 15, 2023. A recently formed support level in the past weeks at around 55.30 was also reached this week, further supporting the strength and possibility of a reversal. With a confirmation of a bullish day and week candle, it can be expected for the price to experience such a reversal in the next few days.

Price has furthermore reached the low band of the Bollinger Bands Indicator, which can be accepted as a possible key level of support. Additionally, recently the price charts have been significantly tighter and failed to follow the break and retest rule in the recent downtrend. This suggests strong buying pressure following every bear move which causes the pullbacks to break prior key support levels, which, according to the retest rule should serve as a strong level of resistance once broken in a downtrend. This is a powerful indication of a future upcoming reversal into an uptrend.

## **Indicators**

A strong technical indicator on the oscillator side present in CIBC price charts is RSI Divergence, with recent RSI trending upwards and price trending downwards. This is a strong signal for a huge price move in the recent future, combined with the overall extremely low RSI value of 39.55 as of March 15, 2023. The verification for this is also seen with a buying pressure day candle on March 15 which contrasts heavily from the previous bear engulfing candle over two days prior. This candle is supported by moderately high trading volume.



*RSI Divergence on weekly chart illustrated by red trendlines among the price and indicator charts.*

The Stochastic Oscillator further reports an oversold situation for the stock, very recently dropping below the 20 extreme. However, this is a weaker indicator as overbought and selling/shorting signals are generally sought for in a downtrend when examining this technical indicator. However, this can be a possible supporting indicator for an upcoming price reversal.

Ever since the price entered a downtrend by crossing the 50-Day moving average which was met as resistance in the past few days, the price has generally been getting closer to the moving average every time it has broken through, showing a decline in the bear strength of the price and potentially a change into an uptrend in the near future.

In terms of overlay indicators, the Bollinger Bands of the chart have also recently expanded from a prior squeeze on the weekly chart, indicating increasing volatility and subsequent positive price activity. However, on the daily chart, a short-term squeeze can be observed currently, suggesting a short period of low volatile fluctuation before the giant break/price move into an uptrend.

A yet to be seen verification is the breakout flag pattern, though the recent bullish candles and previous positive signals serve as an indication of a possible breakout in the upcoming days.

## **Volatility**

CIBC is rather standard in terms of volatility. While this evidently fluctuates according to its ATR charts and Bollinger Band activity, CIBC enjoys an average Beta value of 1.04 (5Y Monthly) as of March 15, 2023. This corresponds and aligns with the market quite well and signifies overall stability and lower short term risk with a higher liquidity. While large volatile returns may not be seen, large losses compared to the market are also to some degree avoided. This does not compensate for events specific to CIBC and considers a general comparative response in terms of price.