3 Companies Trading at a Discount to Their Peers

Description

Deciding whether or not a stock is expensive is tricky. However, there is one step you should always take: comparing the stock's trading multiple to its industry peers. For example, it makes little sense to compare the price-to-earnings multiple of a bank to that of a software company.

On that note, below are three companies that trade at a discount to their peers, and thus could be a nice addition to your portfolio.

1. Rogers Communications

The Canadian telecom companies are a great option for any investor seeking predictable cash flow and stable dividends — limited competition, high barriers to entry, and subscription-based revenue make the three major players very secure.

The cheapest option by far is **Rogers Communications** (TSX: RCI.B)(NYSE: RCI), at under 14 times earnings. By comparison, rival **BCE** (TSX: BCE)(NYSE: BCE) trades at nearly 19 times earnings. Why is there such a difference?

The main reason is that Rogers has reported a few mediocre quarters in the past year, and investors have been starting to get tired of the company — the stock has returned -9% so far this year. However, new CEO Guy Laurence seems to have the right priorities, and Rogers still benefits from the same industry tailwinds that BCE does. So investors may want to snap up some Rogers shares, which as a bonus, yield over 4%.

2. Manulife Financial

After a devastating experience during the financial crisis, and a sluggish recovery afterwards, **Manulife Financial** (TSX: MFC)(NYSE: MFC) finally seems to have pulled itself together. As a result, its shares have returned over 30% in the last 12 months.

Manulife still trades at a discount to Canada's other large life insurers, though, at 12.4 earnings. In comparison, **Sun Life Financial** (TSX: SLF)(NYSE: SLF) trades at over 15 times earnings. One of the main reasons for the difference is Manulife's low payout; the company has a dividend yield of only 2.4%, while Sun Life yields 3.6%. If you're willing to accept a lower dividend, Manulife is a great opportunity.

3. TransCanada

Perhaps no Canadian company has been in the news as much as **TransCanada** (TSX: TRP)(NYSE: TRP), thanks to its controversial Keystone XL pipeline proposal. The proposal, or more specifically the fear of it being rejected, seems to be weighing on the shares.

Consequently, TransCanada is yielding 3.7%, not bad for a company with such a strong growth profile. By comparison, rival **Enbridge** (TSX: ENB)(NYSE: ENB) yields 2.6%. If you can put up with a lot of scary newspaper headlines, TransCanada is yet another option you may want to consider.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BCE (BCE Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:RCI.B (Rogers Communications Inc.)
5. TSX:SLF (Sun Life Financial Inc.)
6. TSX:TRP (TC Energy Corporation)

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Date
2025/07/17
Date Created
2014/07/08
Author
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