



3 Inexpensive Financial Stocks to Consider Buying Today

Description

Canadian financials are considered by most to be must-have investments because of their financial stability and because they face very limited competition. I agree with this investment philosophy and think that all Foolish investors should own shares of at least one financial institution. With this in mind, let's take a closer look at three inexpensive financial stocks to determine which one would fit best in your portfolio today.

1. Manulife Financial Corp.

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)) is one of the largest financial services companies in the world, and it is the eighth-largest life insurer by market capitalization.

At today's levels Manulife's stock trades at just 14.9 times fiscal 2014's diluted core earnings per share of \$1.48, only 12.1 times fiscal 2015's estimated earnings per share of \$1.82, and a mere 10.7 times fiscal 2016's estimated earnings per share of \$2.06, all of which are very inexpensive compared to its five-year average price-to-earnings multiple of 53 and the industry average multiple of 19.9.

I think Manulife's stock could consistently command a fair multiple of at least 15, which would place its shares upwards of \$27.25 by the conclusion of fiscal 2015 and upwards of \$30.75 by the conclusion of fiscal 2016, representing upside of more than 23% and 39%, respectively, from current levels.

In addition, Manulife pays a quarterly dividend of \$0.155 per share, or \$0.62 per share annually, which gives its stock a 2.8% yield at today's levels. It is also worth noting that the company increased its dividend by 19.2% in 2014, and its financial stability could allow for another increase in 2015.

2. Sun Life Financial Inc.

Sun Life Financial Inc. ([TSX:SLF](#))([NYSE:SLF](#)) is one of the world's largest financial services organizations, and it is the 13th-largest life insurer by market capitalization.

At current levels Sun Life's stock trades at just 13.2 times fiscal 2014's underlying earnings per share of \$2.96, only 11.9 times fiscal 2015's estimated earnings per share of \$3.28, and merely 10.7 times

fiscal 2016's estimated earnings per share of \$3.63, all of which are inexpensive compared to its five-year average price-to-earnings multiple of 15 and the industry average price-to-earnings multiple of 19.9.

I think Sun Life's stock could consistently command a fair multiple of at least 15, which would place its shares upwards of \$49 by the conclusion of fiscal 2015 and upwards of \$54.25 by the conclusion of fiscal 2016, representing upside of more than 25% and 39%, respectively, from today's levels.

Additionally, Sun Life pays a quarterly dividend of \$0.36 per share, or \$1.44 per share annually, giving its stock a 3.7% yield at current levels. The company has maintained this quarterly dividend payment since 2008, and its consistent free cash flow generation could allow it to continue doing so for the next several years.

3. IGM Financial Inc.

IGM Financial Inc. ([TSX:IGM](#)) is one of the largest personal financial services companies in Canada, and it is one of the country's largest managers and distributors of mutual funds and other managed asset products.

At today's levels IGM's stock trades at just 13.6 times fiscal 2014's diluted operating earnings per share of \$3.27, only 13 times fiscal 2015's estimated operating earnings per share of \$3.41, and a mere 12.3 times fiscal 2016's estimated operating earnings per share of \$3.63, all of which are very inexpensive compared to its five-year average price-to-earnings multiple of 15.9.

I think IGM's stock could consistently command a fair multiple of at least 15, which would place its shares upwards of \$51 by the conclusion of fiscal 2015 and upwards of \$54.25 by the conclusion of fiscal 2016, representing upside of more than 14% and 21%, respectively, from current levels.

In addition, IGM pays a quarterly dividend of \$0.5625 per share, or \$2.25 per share annually, which gives its stock a 5.05% yield. The company has also increased its dividend 15 times since 2002, making it one of the top dividend-growth plays in the financial sector today.

Which of these top financial stocks belong in your portfolio?

Sun Life Financial, Manulife Financial, and IGM Financial represent three of the best long-term investment opportunities in the financial sector today. All investors should take a closer look and strongly consider establishing long-term positions in one of them.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:MFC (Manulife Financial Corporation)
2. TSX:IGM (IGM Financial Inc.)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:SLF (Sun Life Financial Inc.)

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Author

jsolitro

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