3 Inexpensive Stocks to Consider Buying Today

Description

As many investors know, finding the right stock at the right price is not an easy task. To make things easier, I have compiled a list of three stocks that are trading at inexpensive valuations, so let's take a closer look at each to determine which one would fit best in your portfolio.

1. Fortis Inc.

Fortis Inc. (TSX:FTS) is one of the largest electric and gas utilities companies in North America. At today's levels its stock trades at just 18.3 times fiscal 2015's estimated earnings per share of $2.06 and only 17.4 times fiscal 2016's estimated earnings per share of $2.17, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 20.5.

I think Fortis' stock could consistently command a fair multiple of at least 20.5, which would place its shares around $42.25 by the conclusion of fiscal 2015 and around $44.50 by the conclusion of fiscal 2016, representing upside of more than 12% and 18%, respectively, from current levels.

In addition, Fortis pays a quarterly dividend of $0.34 per share, or $1.36 per share annually, giving its stock a 3.6% yield at today's levels. Investors should also note that the company has increased its annual dividend payment for 42 consecutive years, the record for a public corporation in Canada, which I think makes it the top dividend-growth play in the market today.

2. George Weston Limited

George Weston Limited (TSX:WN) is the largest food processor and distributor in Canada. At current levels its stock trades at just 17.9 times fiscal 2015's estimated earnings per share of $5.75 and only 15.4 times fiscal 2016's estimated earnings per share of $6.66, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 27.7.

I think George Weston's stock could consistently trade at a fair multiple of at least 20, which would place its shares around $115 by the conclusion of fiscal 2015 and upwards of $133 by the conclusion of fiscal 2016, representing upside of over 11% and 29%, respectively, from today's levels.

Additionally, George Weston pays a quarterly dividend of $0.425 per share, or $1.70 per share annually, which gives its stock a 1.65% yield at current levels. A 1.65% yield is not high by any means, but it is very important to note that the company has increased its dividend for four consecutive years, and its increased amount of free cash flow could allow this streak to continue for another four years at least.

3. WestJet Airlines Ltd.

WestJet Airlines Ltd. (TSX:WJA) is one of the largest airliners in North America. At today's levels its stock trades at just 8.2 times fiscal 2015's estimated earnings per share of $3.32 and only 7.9 times fiscal 2016's estimated earnings per share of $3.43, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 13.8.

I think WestJet's stock could consistently command a fair multiple of at least 12, which would place its shares upwards of $39.50 by the conclusion of fiscal 2015 and upwards of $41 by the conclusion of fiscal 2016, representing upside of more than 44% and 50%, respectively, from current levels.

In addition, WestJet pays quarterly dividend of $0.14 per share, or $0.56 per share annually, giving its stock a 2.05% yield at today's levels. The company has also increased its dividend five times in the last three years, and its increased amount of free cash flow could allow for another increase in the second half of this year.

Which of these inexpensive stocks belong in your portfolio?

Fortis, George Weston, and WestJet Airlines represent three of the best long-term investment opportunities in the market today. Foolish investors should take a closer look and strongly consider establishing positions in at least one of them.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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2. TSX:WN (George Weston Limited)

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