Don’t Panic! These 3 Beaten-Down Mid-Caps Are Now Great Buys

Description

The economic downturn in 2015 has caused many short-term investors to divest and move into cash positions, but as long-term investors, we are always on the lookout for high-quality companies that are on sale.

I have scoured the market and found three mid-cap stocks that have fallen 7% year-to-date, but are now trading at inexpensive valuations compared with both their five-year and industry averages, so let’s take a closer look at each to determine which would fit best in your portfolio.

1. IGM Financial Inc.

IGM Financial Inc. (TSX:IGM) is one of Canada’s largest personal financial services companies, and one of the country’s largest managers and distributors of mutual funds and other managed asset products. Its stock has fallen over 21% year-to-date, including a decline of over 11% in the last three months.

At today’s levels, IGM’s stock trades at just 11.2 times fiscal 2015’s estimated earnings per share of $3.24 and only 10.7 times fiscal 2016’s estimated earnings per share of $3.38, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 15.9 and its industry average multiple of 131.6.

In addition, IGM pays a quarterly dividend of $0.5625 per share, or $2.25 per share annually, giving its stock a 6.2% yield. Investors should also note that the company has increased its dividend 15 times in the last 13 years.

2. Cogeco Cable Inc.

Cogeco Cable Inc. (TSX:CCA) is the 11th-largest cable operator in North America and the second-largest in Ontario and Quebec. Its stock has fallen over 11% year-to-date, including a decline of over 10% in the last three months.

At current levels, Cogeco’s stock trades at just 12.4 times fiscal 2015’s estimated earnings per share of

$5.12 and only 11.1 times fiscal 2016’s estimated earnings per share of $5.76, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 13 and its industry average multiple of 20.4.

Additionally, Cogeco pays a quarterly dividend of $0.35 per share, or $1.40 per share annually, which gives its stock a 2.2% yield. It is also important to note that the company has increased its dividend for 11 consecutive years.

3. SNC-Lavalin Group Inc.

SNC-Lavalin Group Inc. (TSX:SNC) is one of the world’s largest engineering and construction companies. Its stock has fallen over 7% year-to-date, including a decline of about 6% in the last three months.

At today’s levels, its stock trades at just 20.4 times fiscal 2015’s estimated earnings per share of $2.00 and only 16.8 times fiscal 2016’s estimated earnings per share of $2.43, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 43.7 and its industry average multiple of 25.9.

In addition, SNC pays a quarterly dividend of $0.25 per share, or $1.00 per share annually, giving its stock a 2.45% yield. Investors should also note that the company has increased its dividend for 14 consecutive years.

Which of these mid-caps should you buy shares of?

IGM Financial, Cogeco Cable, and SNC-Lavalin Group have each fallen over 7% in 2015, but all represent very attractive long-term investment opportunities today. Foolish investors should strongly consider initiating positions in at least one of them.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATRL (SNC-Lavalin Group)
2. TSX:CCA (COGECO CABLE INC)
3. TSX:IGM (IGM Financial Inc.)

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