2 Triple-Digit Stocks Worth Every Penny: Part 1

Description

As wise investors know, the price of a stock does not matter, because the fundamentals, such as its valuations and its dividend yield, are what make it a buy or sell. With this in mind, let's take a look at two stocks trading in the triple-digits that are worth every penny, so you can decide if you should add one of them to your portfolio today.

1. Canadian Tire Corporation Limited: $114.43 per share

Canadian Tire Corporation Limited (TSX:CTC.A) is one of Canada's largest retailers of general merchandise, automotive products, sporting goods, and apparel through its many retail brands, including Canadian Tire, Mark's, FGL Sports, PartSource, and Sport Chek.

At today's levels, its stock trades at 14.7 times fiscal 2015's estimated earnings per share of $7.78 and 13.4 times fiscal 2016's estimated earnings per share of $8.56, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 15.2 and its industry average multiple of 32.2.

I think Canadian Tire's stock could consistently command a fair multiple of about 16, which would place its shares around $137 by the conclusion of fiscal 2016, representing upside of more than 19% from current levels.

In addition, the company pays a quarterly dividend of $0.525 per share, or $2.10 per share annually, giving its stock a 1.8% yield. A 1.8% yield is far from impressive, but it is very important to note that it has raised its dividend for five consecutive years, and its increased amount of cash flow from operating activities, including 38.4% year-over-year growth to $365 million in the first half of fiscal 2015, could allow this streak to continue for the next several years.

2. CCL Industries Inc.: $172.02 per share

CCL Industries Inc. (TSX:CCL.B) is the largest label company and one of the largest providers of specialty packaging products in the world.

At current levels, its stock trades at 21.7 times fiscal 2015’s estimated earnings per share of $7.91 and 19.6 times fiscal 2016’s estimated earnings per share of $8.76, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 24.5 and its industry average multiple of 32.3.

I think CCL’s stock could consistently command a fair multiple of about 25, which would place its shares around $219 by the conclusion of fiscal 2016, representing upside of more than 27% from today’s levels.

Additionally, the company pays a quarterly dividend of $0.375 per share, or $1.50 per share annually, which gives its stock a 0.9% yield. A 0.9% yield may not seem like much at first, but it is very important for investors to note that it has raised its dividend for 13 consecutive years, and its increased amount of free cash flow, including 106.8% year-over-year growth to $69.5 million in the first half of fiscal 2015, could allow this streak to continue for the foreseeable future.

Which of these triple-digit stocks belong in your portfolio?

Canadian Tire and CCL Industries are trading in the triple-digits, but they are both worth every penny. Foolish investors should not be deterred by their price per share, and strongly consider initiating positions in one of them.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CCL.B (CCL Industries)
2. TSX:CTC.A (Canadian Tire Corporation, Limited)

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