



2 Triple-Digit Stocks Worth Every Penny: Part 3

Description

As intelligent 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 at two stocks trading in the triple digits that are worth every penny, so you can determine which would be the best fit for your portfolio.

1. Canadian Pacific Railway Limited: \$203.69 per share

Canadian Pacific Railway Limited ([TSX:CP](#))([NYSE:CP](#)) is one of the largest rail network operators in North America.

At current levels, its stock trades at just 19.8 times fiscal 2015's estimated earnings per share of \$10.31 and only 16.9 times fiscal 2016's estimated earnings per share of \$12.02, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 22, its five-year average multiple of 26.7, and its industry average multiple of 24.

I think Canadian Pacific's stock could consistently command a fair multiple of at least 22, which would place its shares upwards of \$264 by the conclusion of fiscal 2016, representing upside of more than 29% from today's levels.

In addition, the company pays a quarterly dividend of \$0.35 per share, or \$1.40 per share annually, giving its stock a 0.7% yield. It is also worth noting that it has increased its dividend three times in the last five years.

2. Valeant Pharmaceuticals Intl Inc.: \$227.56 per share

Valeant Pharmaceuticals Intl Inc. ([TSX:VRX](#))([NYSE:VRX](#)) is one of the world's largest pharmaceutical companies.

At today's levels, its stock trades at just 19.6 times fiscal 2015's estimated earnings per share of \$11.63 and only 14.1 times fiscal 2016's estimated earnings per share of \$16.16, both of which are inexpensive compared with its trailing 12-month price-to-earnings multiple of 70.4, its five-year average

multiple of 184.5, and its industry average multiple of 33.3.

I think Valeant's stock could consistently command a fair multiple of at least 25, which would place its shares around \$404 by the conclusion of fiscal 2016, representing upside of more than 77% from current levels.

Investors should note that Valeant does not currently pay a dividend, but it generates ample cash flow from operations each quarter and year, including \$2.5 billion in fiscal 2014 and \$772.8 million in the first half of fiscal 2015, so I think it will initiate one as soon as it is done reinvesting in its business and making acquisitions to drive growth.

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

Canadian Pacific Railway and Valeant Pharmaceuticals may have stocks that are trading in the triple digits, but they are both worth every penny. Foolish investors should not be deterred by their price per shares, and strongly consider making at least one of them a core holding.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:BHC (Bausch Health Companies Inc.)
2. NYSE:CP (Canadian Pacific Railway)
3. TSX:BHC (Bausch Health Companies Inc.)
4. TSX:CP (Canadian Pacific Railway)

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