



3 Value Picks for 2016 and Beyond

Description

If you're looking for a value play for 2016 and beyond, you've come to the right place. I've scoured the market and found three stocks that are trading at inexpensive valuations compared with their five-year and industry averages, so let's take a quick look at each to determine which would fit best in your portfolio.

1. Canadian National Railway Company

Canadian National Railway Company ([TSX:CNR](#))([NYSE:CNI](#)) is the largest rail network operator in Canada and one of the five largest in North America with approximately 32,000 kilometers of track and 80 warehousing and distribution facilities.

At today's levels, its stock trades at just 16.8 times fiscal 2015's estimated earnings per share of \$4.37 and only 15.5 times fiscal 2016's estimated earnings per share of \$4.73, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 17.5 and its industry average multiple of 21.5.

I think Canadian National's stock could consistently trade at a fair multiple of about 20, which would place its shares upwards of \$94 by the conclusion of fiscal 2016, representing upside of more than 27% from current levels.

In addition, the company pays a quarterly dividend of \$0.3125 per share, or \$1.25 per share annually, giving its stock a 1.7% yield.

2. RONA Inc.

RONA Inc. (TSX:RON) is one of Canada's largest retailers of home improvement products with over 500 corporate, franchise, and independent affiliate stores.

At current levels, its stock trades at just 13.7 times fiscal 2015's estimated earnings per share of \$0.93 and only 12.2 times fiscal 2016's estimated earnings per share of \$1.04, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 31.5 and its industry average multiple

of 17.7

I think RONA's stock could consistently trade at a fair multiple of about 16, which would place its shares upwards of \$16 by the conclusion of fiscal 2016, representing upside of more than 25% from today's levels.

Additionally, the company pays a quarterly dividend of \$0.04 per share, or \$0.16 per share annually, giving its stock a 1.3% yield.

3. AutoCanada Inc.

AutoCanada Inc. ([TSX:ACQ](#)) is Canada's largest multi-location automobile dealership group with 52 franchised dealerships and 60 locations in eight provinces.

At today's levels, its stock trades at just 13 times fiscal 2015's estimated earnings per share of \$1.71 and a mere 9.3 times fiscal 2016's estimated earnings per share of \$2.40, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 15.9 and its industry average multiple of 27.5.

I think AutoCanada's stock could consistently trade at a fair multiple of about 15, which would place its shares around \$36 by the conclusion of fiscal 2016, representing upside of more than 61% from current levels.

In addition, the company pays a quarterly dividend of \$0.25 per share, or \$1.00 per share annually, giving its stock a 4.5% yield.

Which of these value plays belongs in your portfolio?

Canadian National Railway, RONA, and AutoCanada are three of the top value plays in their respective industries. All Foolish investors should take a closer look at each and strongly consider initiating positions in at least one of them before the end of the year.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. TSX:ACQ (AutoCanada Inc.)
3. TSX:CNR (Canadian National Railway Company)

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