3 Undervalued Stocks That Could Soar in 2016

Description

As value-conscious investors, we are always on the lookout for high-quality companies whose stocks are trading at discounted levels. Well, I have come across three very attractive options from three different industries, so let's take a quick look at each to determine if you should buy one of them today.

1. Pembina Pipeline Corp.

Pembina Pipeline Corp. (TSX:PPL)(NYSE:PBA) is one of the leading transportation and midstream service providers to North America's energy industry.

At today's levels, its stock trades at just 28.5 times fiscal 2015's estimated earnings per share of $1.05 and only 22 times fiscal 2016's estimated earnings per share of $1.36, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 32.7.

With its five-year average multiple and its estimated 10.8% long-term earnings growth rate in mind, I think Pembina's stock could consistently trade at a fair multiple of at least 30, which would place its shares upwards of $40 by the conclusion of fiscal 2016, representing upside of more than 33% from current levels.

Also, the company pays a monthly dividend of $0.1525 per share, or $1.83 per share annually, giving its stock a 6.1% yield.

2. Loblaw Companies Limited

Loblaw Companies Limited (TSX:L) is the largest owner and operator of grocery stores and pharmacies in Canada, and it is behind retail banners such as Loblaws, Zehrs Markets, Extra Foods, and Shoppers Drug Mart.

At today's levels, its stock trades at just 18.6 times fiscal 2015's estimated earnings per share of $3.49 and only 16.2 times fiscal 2016's estimated earnings per share of $4.00, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 159.6.

With its five-year average multiple and its estimated 14.1% long-term earnings growth rate in mind, I think Loblaw's stock could consistently trade at a fair multiple of at least 20, which would place its shares around $80 by the conclusion of fiscal 2016, representing upside of more than 23% 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 1.5% yield.

3. CAE Inc.

CAE Inc. (TSX:CAE)(NYSE:CAE) is a global leader in the delivery of training for the civil aviation, defence and security, and healthcare markets.

At today's levels, its stock trades at just 18 times fiscal 2016's estimated earnings per share of $0.84 and only 16.1 times fiscal 2017's estimated earnings per share of $0.94, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 18.5.

With its five-year average multiple and its estimated 11.7% long-term earnings growth rate in mind, I think CAE's stock could consistently trade at a fair multiple of about 20, which would place its shares upwards of $18 by the conclusion of fiscal 2017, representing upside of more than 18% from current levels.

Also, the company pays a quarterly dividend of $0.075 per share, or $0.30 per share annually, giving its stock a 2% yield.

Could your portfolio use more value?

Pembina Pipeline, Loblaw, and CAE are three of the most undervalued stocks in their respective industries, and all have the added benefit of dividend yields of 1.5% or higher. Foolish investors should take a closer look and consider beginning to scale in to long-term positions in one of them over the next couple of weeks.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CAE (CAE Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:CAE (CAE Inc.)
4. TSX:L (Loblaw Companies Limited)
5. TSX:PPL (Pembina Pipeline Corporation)

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jsolitro