



3 Undervalued Stocks That Could Beat the Market in 2016

Description

If you're a value-conscious investor looking for stocks to help you beat the market in 2016, you've come to the right place. I've scoured the market and found three undervalued stocks from three different industries that have significant upside potential, so let's take a quick look at each to determine which would fit best in your portfolio.

1. TransCanada Corporation

TransCanada Corporation ([TSX:TRP](#))([NYSE:TRP](#)) is one of the largest owners and operators of natural gas pipelines and storage facilities in North America.

At today's levels, its stock trades at just 18.5 times fiscal 2015's estimated earnings per share of \$2.45 and only 17 times fiscal 2016's estimated earnings per share of \$2.66, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 21.7.

With its five-year average multiple and its estimated 5% long-term earnings growth rate in mind, I think TransCanada's stock could consistently trade at a fair multiple of at least 20, which would place its shares upwards of \$53 by the conclusion of fiscal 2016, representing upside of more than 17% from current levels.

In addition, the company pays a quarterly dividend of \$0.52 per share, or \$2.08 per share annually, which gives its stock a 4.6% yield. Investors must also note that it has increased its annual dividend payment for 15 consecutive years.

2. Canadian Western Bank

Canadian Western Bank ([TSX:CWB](#)) is one of the largest banking institutions in Canada's four western provinces with approximately \$22.8 billion in total assets.

At today's levels, its stock trades at just nine times fiscal 2015's adjusted cash earnings per share of \$2.63, only 8.8 times fiscal 2016's estimated earnings per share of \$2.69, and a mere 8.3 times fiscal 2017's estimated earnings per share of \$2.87, all of which are inexpensive compared with its five-year

average price-to-earnings multiple of 13.

With its five-year average multiple and its estimated 4.3% long-term earnings growth rate in mind, I think Canadian Western Bank's stock could consistently trade at a fair multiple of at least 11, which would place its shares upwards of \$31 by the conclusion of fiscal 2017, representing upside of more than 30% from current levels.

Additionally, the company pays a quarterly dividend of \$0.23 per share, or \$0.92 per share annually, which gives its stock a 3.9% yield. It is also very important to note that it has increased its annual dividend payment for 23 consecutive years.

3. Gildan Activewear Inc.

(All figures are in U.S. dollars)

Gildan Activewear Inc. ([TSX:GIL](#))([NYSE:GIL](#)) is one of world's largest manufacturers and distributors of apparel products.

At today's levels, its stock trades at just 19.7 times fiscal 2015's estimated earnings per share of \$1.46 and only 15.7 times fiscal 2016's estimated earnings per share of \$1.84, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 22.4.

With its five-year average multiple and its estimated 13.9% long-term earnings growth rate in mind, I think Gildan's stock could consistently trade at a fair multiple of at least 20, which would place its shares upwards of \$36 by the conclusion of fiscal 2016, representing upside of about 25% from current levels.

In addition, the company pays a quarterly dividend of \$0.065 per share, or \$0.26 per share annually, which gives its stock a 0.9% yield. Investors must also note that it has increased its annual dividend payment for four consecutive years.

Which of these stocks will help you beat the market in 2016?

TransCanada, Canadian Western Bank, and Gildan Activewear are all undervalued and could widely outperform the overall market in 2016. Foolish investors should take a closer look and strongly consider beginning to scale in to long-term positions in one of them over the next couple of trading sessions.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:GIL (Gildan Activewear Inc.)
2. NYSE:TRP (Tc Energy)
3. TSX:CWB (Canadian Western Bank)
4. TSX:GIL (Gildan Activewear Inc.)
5. TSX:TRP (TC Energy Corporation)

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