3 Undervalued Stocks With Yields up to 4.7% to Buy Today

Description

If you're looking for undervalued stocks that can also provide dividend income for your portfolio, you've come to the right place. I've scoured the market and found three stocks from three different industries that can do just that, so let's take a quick look at each to determine which would fit best in your portfolio.

1. Royal Bank of Canada

Royal Bank of Canada (TSX:RY)(NYSE:RY) is Canada's second-largest bank with approximately $1.07 trillion in total assets.

At today's levels, its stock trades at just 10.6 times fiscal 2016's estimated earnings per share of $6.88 and only 10 times fiscal 2017's estimated earnings per share of $7.31, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 12.7.

With its five-year average multiple and its estimated 7% long-term earnings growth rate in mind, I think RBC's stock could consistently trade at a fair multiple of at least 12.5, which would place its shares upwards of $91 by the conclusion of fiscal 2017, representing upside of more than 24% from current levels.

In addition, the company pays a quarterly dividend of $0.79 per share, or $3.16 per share annually, giving its stock a 4.3% yield. It is also important to note that it has raised its annual dividend payment for five consecutive years.

2. Algonquin Power & Utilities Corp.

Algonquin Power & Utilities Corp. (TSX:AQN) owns and operates a diversified portfolio of regulated and non-regulated utilities in North America.

At today's levels, its stock trades at just 25.6 times fiscal 2015's estimated earnings per share of $0.42 and only 21.9 times fiscal 2016's estimated earnings per share of $0.49, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 50.

With its five-year average multiple and its estimated 13.9% long-term earnings growth rate in mind, I think Algonquin's stock could consistently trade at a fair multiple of about 30, which would place its shares upwards of $14 by the conclusion of fiscal 2016, representing upside of more than 30% from current levels.

Additionally, the company pays a quarterly dividend of US$0.09625 per share, or US$0.385 per share annually, giving its stock a 4.7% yield. Investors must also note that it has raised its annual dividend payment for five consecutive years.

3. Computer Modelling Group Ltd.

Computer Modelling Group Ltd. (TSX:CMG) is the world's leading independent supplier of reservoir simulation technologies, which is utilized by the oil and natural gas industries.

At today's levels, its stock trades at just 25.3 times fiscal 2016's estimated earnings per share of $0.35 and only 22.2 times fiscal 2017's estimated earnings per share of $0.40, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 55.

With its five-year average multiple and its estimated 7.1% long-term earnings growth rate in mind, I think Computer Modelling Group's stock could consistently trade at a fair multiple of about 28, which would place its shares upwards of $11 by the conclusion of fiscal 2017, representing upside of more than 23% from current levels.

In addition, the company pays a quarterly dividend of $0.10 per share, or $0.40 per share annually, giving its stock a 4.5% yield. It is also important to note that it has raised its regular annual dividend payment for 12 consecutive years.

Which of these stocks belong atop your buy list?

Royal Bank of Canada, Algonquin Power & Utilities, and Computer Modelling Group are three of the top value plays in their respective industries, and all have the added benefit of dividend yields of over 4%. Foolish investors should take a closer look at each and strongly consider establishing positions in one of them today.

CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing
5. Tech Stocks

TICKERS GLOBAL

1. NYSE:RY (Royal Bank of Canada)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:CMG (Computer Modelling Group Ltd.)
4. TSX:RY (Royal Bank of Canada)

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