3 Undervalued Stocks With Great Dividends

## Description

As investors, it is our ultimate goal to outperform the overall market each and every year. There are many ways you can go about this, but one of the best and least-risky ways I have found is to buy stocks that are undervalued on a price-to-earnings basis and have great dividends. I scoured the market and found three stocks from different industries that meet these criteria perfectly, so let's take a quick look at each.



**1. Fortis Inc.**

**Fortis Inc.** (TSX:FTS) is one of the largest electric and gas utilities companies in North America.

At today's levels, its stock trades at just 18.2 times fiscal 2015's estimated earnings per share of $2.06 and only 17.2 times fiscal 2016's estimated earnings per share of $2.17, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 20.5.

With its five-year average multiple and its estimated 12.2% long-term earnings growth rate in mind, I think Fortis's stock could consistently command a fair multiple of at least 20, which would place its shares upwards of $43 by the conclusion of fiscal 2016, representing upside of about 15% from current levels.

In addition, the company pays a quarterly dividend of $0.375 per share, or $1.50 per share annually, which gives its stock a 4% yield. It is also important to note that it has increased its annual dividend payment for 43 consecutive years.

**2. Domtar Corp.**

**Domtar Corp.** (TSX:UFS)(NYSE:UFS) is one of the world's leading distributors of fibre-based products, including communication papers, specialty and packaging papers, and absorbent hygiene products.

At today's levels, its stock trades at just 11.3 times fiscal 2015's estimated earnings per share of US$2.96 and only 10.4 times fiscal 2016's estimated earnings per share of US$3.22, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 16.5.

With its five-year average multiple and its estimated 3% long-term earnings growth rate in mind, I think Domtar's stock could consistently command a fair multiple of at least 13, which would place its shares upwards of $41 by the conclusion of fiscal 2016, representing upside of more than 22% from current levels.

Additionally, the company pays a quarterly dividend of US$0.40 per share, or US$1.60 per share annually, which gives its stock a 4.8% yield. Investors must also note that it has increased its annual dividend payment for five consecutive years.

**3. Industrial Alliance Insurance and Financial Services Inc.**

**Industrial Alliance Insur. & Fin. Ser.** (TSX:IAG) is one of the leading providers of financial products and services in Canada, including life, health, auto, and home insurance.

At today's levels, its stock trades at just 11.3 times fiscal 2015's estimated earnings per share of $3.63 and a mere 9.4 times fiscal 2016's estimated earnings per share of $4.38, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 14.6.



With its five-year average multiple and its estimated 6.2% long-term earnings growth rate in mind, I think Industrial Alliance's stock could consistently command a fair multiple of at least 12, which would place its shares upwards of $52 by the conclusion of fiscal 2016, representing upside of more than 26% from current levels.

Additionally, the company pays a quarterly dividend of $0.30 per share, or $1.20 per share annually, which gives its stock a 2.9% yield. It is also important to note that it has increased its annual dividend payment for two consecutive years.

**Which of these top stocks belongs in your portfolio?**

Fortis, Domtar, and Industrial Alliance are three of the top value plays in their respective industries, and all have the added benefit of great dividends. Foolish investors should strongly consider initiating positions in at least one of them today.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:FTS (Fortis Inc.)
2. TSX:IAG (iA Financial Corporation Inc.)

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