3 Beaten-Down TSX 60 Stocks to Buy Now

Description

As smart investors, we are always on the lookout for high-quality companies whose stocks are trading at discounted levels, and the high volatility in the market in 2016 has created countless opportunities. With this being said, let's take a look at three very undervalued stocks from the S&P/TSX 60 Index, so you can determine if you should buy one or more of them today.

1. Canadian Pacific Railway Limited

Canadian Pacific Railway Limited (TSX:CP)(NYSE:CP) is the second-largest rail network operator in Canada and one of the 10 largest in North America.

At today's levels, its stock trades at just 14.8 times fiscal 2015's estimated earnings per share of $10.18 and only 13.2 times fiscal 2016's estimated earnings per share of $11.44, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 26.9 and its industry average multiple of 20.1.

With the multiples above, its estimated 16.6% long-term earnings growth rate, and the high volatility in the market in mind, I think Canadian Pacific's stock could consistently trade at a fair multiple of at least 18, which would place its shares upwards of $205 by the conclusion of fiscal 2016, representing upside of over 36% from current levels.

In addition, the company pays a quarterly dividend of $0.35 per share, or $1.40 per share annually, which gives its stock a 0.9% yield.

2. Thomson Reuters Corp.

Thomson Reuters Corp. (TSX:TRI)(NYSE:TRI) is the world's leading source of intelligent information for businesses and professionals.

At today's levels, its stock trades at just 17.1 times fiscal 2015's estimated earnings per share of US$2.06 and only 15.4 times fiscal 2016's estimated earnings per share of US$2.29, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 42.3 and its industry average multiple of 19.2.

With the multiples above, its estimated 10.6% long-term earnings growth rate, and the high volatility in the market in mind, I think Thomson Reuters's stock could consistently trade at a fair multiple of at least 20, which would place its shares upwards of $45 by the conclusion of fiscal 2016, representing upside of over 27% from today's levels.

Also, the company pays a quarterly dividend of US$0.335 per share, or US$1.34 per share annually, which gives its stock a bountiful 3.8% yield.

3. Saputo Inc.

Saputo Inc. (TSX:SAP) is the largest dairy processor in Canada and one of the 10 largest in the world.

At today's levels, its stock trades at just 21.1 times fiscal 2016's estimated earnings per share of $1.51 and only 18.7 times fiscal 2017's estimated earnings per share of $1.71, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 37.2 and its industry average multiple of 31.6.

With the multiples above, its estimated 10.3% long-term earnings growth rate, and the high volatility in the market in mind, I think Saputo's stock could consistently trade at a fair multiple of at least 25, which would place its shares upwards of $42 by the conclusion of fiscal 2017, representing upside of over 31% from current levels.

Additionally, the company pays a quarterly dividend of $0.135 per share, or $0.54 per share annually, which gives its stock a 1.7% yield.

Which of these industry giants would fit best in your portfolio?

Canadian Pacific Railway, Thomson Reuters, and Saputo represent three of the top value plays in the S&P/TSX 60 Index today. All Foolish investors should strongly consider beginning to scale in to long-term positions in at least one of them today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:TRI (Thomson Reuters)
2. NYSE:CP (Canadian Pacific Railway)
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4. TSX:SAP (Saputo Inc.)
5. TSX:TRI (Thomson Reuters)

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