3 Undervalued Stocks With High Yields to Buy Now

Description

As many of you know, it can be very difficult to find the right stock at the right price when you're ready to make a purchase, and it can seem nearly impossible to find one that is both undervalued and has a high dividend yield. Fortunately for you, I've done the hard part and found three stocks that meet these criteria perfectly, so let's take a closer look at each to determine which would be the best buy for your portfolio.

1. Laurentian Bank of Canada

Laurentian Bank of Canada (TSX:LB) is one of the largest financial institutions in eastern Canada with over $39.5 billion in assets.

At today's levels, its stock trades at just 7.5 times fiscal 2016's estimated earnings per share of $5.74 and only 7.1 times fiscal 2017's estimated earnings per share of $6.02, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 10.6 and its industry average multiple of 13.

With the multiples above, its estimated 5.2% long-term earnings-growth rate, and the high volatility in the market in mind, I think Laurentian Bank's stock should consistently trade at a fair multiple of at least 10, which would place its shares upwards of $60 by the conclusion of fiscal 2017, representing upside of more than 39% from current levels.

In addition, the company pays a quarterly dividend of $0.58 per share, or $2.32 per share annually, which gives its stock a 5.4% yield. Investors must also note that it has raised its annual dividend payment for eight consecutive years, and it is currently on pace for 2016 to mark the ninth consecutive year with an increase.

2. DH Corp.

DH Corp. (TSX:DH) is one of the leading providers of financial technology and related solutions to the world's financial institutions.

At today's levels, its stock trades at just 13 times fiscal 2015's estimated earnings per share of $2.36 and only 12.1 times fiscal 2016's estimated earnings per share of $2.54, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 25.2 and its industry average multiple of 24.4.

With the multiples above, its estimated 4.2% long-term earnings-growth rate, and the high volatility in the market in mind, I think DH Corp.'s stock should consistently trade at a fair multiple of at least 15, which would place its shares upwards of $38 by the conclusion of fiscal 2016, representing upside of more than 23% from current levels.

Additionally, the company pays a quarterly dividend of $0.32 per share, or $1.28 per share annually, which gives its stock a 4.2% yield. Investors should also note that it has maintained this annual rate since 2013.

3. Aecon Group Inc.

Aecon Group Inc. (TSX:ARE) is one of the largest providers of construction and infrastructure development services in Canada.

At today's levels, its stock trades at just 18.1 times fiscal 2015's estimated earnings per share of $0.72 and only 14.6 times fiscal 2016's estimated earnings per share of $0.89, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 38.2 and its industry average multiple of 21.8.

With the multiples above, its estimated 8.1% long-term earnings growth rate, and the high volatility in the market in mind, I think Aecon Group's stock could consistently trade at a fair multiple of about 20, which would place its shares upwards of $17 by the conclusion of fiscal 2016, representing upside of more than 30% from current levels.

In addition, the company pays a quarterly dividend of $0.10 per share, or $0.40 per share annually, which gives its stock a 3.1% yield. Investors must also note that it has raised its annual dividend payment for four consecutive years, and it is currently on pace for 2016 to mark the fifth consecutive year with an increase.

Which of these stocks would fit best in your portfolio?

Laurentian Bank of Canada, DH Corp., and Aecon Group are undervalued and have high dividend yields, making them prime investment options today. All Foolish investors should take a closer look and strongly consider beginning to scale in to long-term positions in at least one of them.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ARE (Aecon Group Inc.)
2. TSX:LB (Laurentian Bank of Canada)

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Date
2025/07/05
Date Created
2016/01/19
Author
jsolitro