3 Undervalued Stocks That Can Upgrade Your Portfolio

Description

One aspect of investing most of us can agree on is that it is not always easy finding the right stock at the right price when we are ready to buy. Well, in order to make things very easy for those of you looking to make a purchase today, I scoured the market and compiled a list of three of my top stock picks from three different industries, so let's take a quick look at each to find out which would fit best in your portfolio.

1. RONA Inc.

RONA Inc. (TSX:RON) is one of the largest retailers of home improvement products in Canada with over 500 stores across the country.

At today's levels, its stock trades at just 12.4 times fiscal 2015's estimated earnings per share of $0.93 and only 11.1 times fiscal 2016's estimated earnings per share of $1.04, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 32.

With its five-year average multiple and its estimated 16.4% long-term earnings growth rate in mind, I think RONA's stock should consistently command a fair multiple of at least 15, which would place its shares upwards of $15.50 by the conclusion of fiscal 2016, representing upside of over 34% from today's levels.

Also, the company pays a quarterly dividend of $0.04 per share, or $0.16 per share annually, which gives its stock a 1.4% yield.

2. Inter Pipeline Ltd.

Inter Pipeline Ltd. (TSX:IPL) is one of the leading providers of petroleum transportation, bulk liquid storage, and natural gas liquids extraction services in western Canada and Europe.

At today's levels, its stock trades at just 16.6 times fiscal 2015's estimated earnings per share of $1.30 and only 14.6 times fiscal 2016's estimated earnings per share of $1.48, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 28.4.

With its five-year average multiple and its estimated 13.8% earnings growth rate in fiscal 2016 in mind, I think Inter Pipeline's stock could consistently command a fair multiple of at least 20, which would place its shares upwards of $29.50 by the conclusion of fiscal 2016, representing upside of over 36% from current levels.

In addition, the company pays a monthly dividend of $0.13 per share, or $1.56 per share annually, which gives its stock a 7.2% yield.

3. CAE Inc.

CAE Inc. (TSX:CAE)(NYSE:CAE) is a global leader in the delivery of training for the civil aviation, defence and security, and healthcare industries.

At today's levels, its stock trades at just 17.8 times fiscal 2016's estimated earnings per share of $0.84 and only 16.1 times fiscal 2017's estimated earnings per share of $0.93, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 18.4.

With its five-year average multiple and its estimated 11.7% long-term earnings growth rate in mind, I think CAE's stock could consistently command a fair multiple of at least 18, which would place its shares around $16.75 by the conclusion of fiscal 2017, representing upside of over 12% from current levels.

Also, the company pays a quarterly dividend of $0.075 per share, or $0.30 per share annually, which gives its stock a 2% yield.

Could your portfolio use more value?

RONA, Inter Pipeline, and CAE are three of the most attractive value plays in their respective industries, and all have the added benefit of dividends. Foolish investors should take a closer look and strongly consider making one of them a long-term core holding.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CAE (CAE Inc.)
2. TSX:CAE (CAE Inc.)

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jsolitro