



3 Undervalued Stocks Worth Buying Today

Description

As Foolish investors, it is our ultimate goal to outperform the market every year. There are many ways you can go about doing this, but one of the best and least-risky ways is to buy the stocks of industry-leading companies that are undervalued compared with their five-year averages. With this criterion in mind, I scoured the market and selected three very attractive options, so let's take a quick look at each to determine which would fit best in your portfolio.

1. Cameco Corporation

Cameco Corporation ([TSX:CCO](#))([NYSE:CCJ](#)) is one of the world's largest producers of uranium, providing an estimated 16% of the world's total production, and it is one of the leading providers of nuclear fuel processing services.

At today's levels, its stock trades at just 16.5 times fiscal 2015's estimated earnings per share of \$0.97 and only 12.4 times fiscal 2016's estimated earnings per share of \$1.29, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 101.1 and its industry average multiple of 23.8.

With the multiples above, its estimated 12.4% long-term earnings growth rate, and the high volatility in the market in mind, I think Cameco's stock could consistently command a fair multiple of at least 16, which would place its shares upwards of \$20.50 by the conclusion of fiscal 2016, representing upside of over 28% from current levels.

Investors must also note that the company pays a quarterly dividend of \$0.10 per share, or \$0.40 per share annually, which gives its stock a 2.5% yield.

2. Magna International Inc.

Magna International Inc. ([TSX:MG](#))([NYSE:MGA](#)) is one of the world's largest suppliers of automotive products and services.

At today's levels, its stock trades at just 7.8 times fiscal 2015's estimated earnings per share of

US\$4.39 and only 6.7 times fiscal 2016's estimated earnings per share of US\$5.15, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.1 and its industry average multiple of 23.9.

With the multiples above, its estimated 11.3% long-term earnings growth rate, and the high volatility in the market in mind, I think Magna's stock could consistently command a fair multiple of at least nine, which would place its shares upwards of \$46 by the conclusion of fiscal 2016, representing upside of over 33% from today's levels.

Investors should also note that the company pays a quarterly dividend of US\$0.22 per share, or US\$0.88 per share annually, which gives its stock a 2.55% yield.

3. TransAlta Renewables Inc.

TransAlta Renewables Inc. ([TSX:RNW](#)) is one of Canada's largest owners and operators of renewable power-generation facilities, and it is the country's largest producer of wind power.

At today's levels, its stock trades at just 15.4 times fiscal 2015's estimated earnings per share of \$0.62 and only 13.6 times fiscal 2016's estimated earnings per share of \$0.70, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 25.9 and its industry average multiple of 15.5.

With the multiples above, its estimated 14.8% earnings growth rate in fiscal 2016, and the high volatility in the market in mind, I think TransAlta's stock could consistently command a fair multiple of about 18, which would place its shares upwards of \$12.50 by the conclusion of fiscal 2016, representing upside of over 31% from current levels.

Investors must also note that the company pays a monthly dividend of \$0.07333 per share, or \$0.88 per share annually, which gives its stock a 9.2% yield.

Should you start buying one of these stocks today?

Cameco, Magna International, and TransAlta Renewables are three of the top value plays in their respective industries, and all have the added benefit of dividends. 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. NYSE:CCJ (Cameco Corporation)
2. NYSE:MGA (Magna International Inc.)
3. TSX:CCO (Cameco Corporation)
4. TSX:MG (Magna International Inc.)
5. TSX:RNW (TransAlta Renewables)

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