3 Undervalued Stocks With Great Dividends to Buy Now

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 trying to do 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 to determine if you should buy one of them today.

1. 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 Canada and Europe.

At today’s levels, its stock trades at just 16.7 times fiscal 2016’s estimated earnings per share of $1.46 and only 16.2 times fiscal 2017’s estimated earnings per share of $1.51, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 27.7 and its industry average multiple of 17.4.

With the multiples above and its estimated 9.9% long-term earnings growth rate 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 $30 by the conclusion of fiscal 2017, representing upside of more than 22% from today’s 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 yield of about 6.4%. Investors must also note that it has raised its annual dividend payment for seven consecutive years, and its 6.1% hike in November 2015 has it on pace for 2016 to mark the eighth consecutive year with an increase.

2. Intact Financial Corporation

Intact Financial Corporation (TSX:IFC) is the leading provider of property and casualty insurance in Canada.

At today’s levels, its stock trades at just 13 times fiscal 2016’s estimated earnings per share of $6.60 and only 12.1 times fiscal 2017’s estimated earnings per share of $7.09, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 15.9 and its industry average multiple of 13.4.

With the multiples above and its estimated 11.5% long-term earnings growth rate in mind, I think Intact’s stock could consistently command a fair multiple of at least 16, which would place its shares upwards of $113 by the conclusion of fiscal 2017, representing upside of more than 31% from today’s levels.

Additionally, the company pays a quarterly dividend of $0.58 per share, or $2.32 per share annually, which gives its stock a yield of about 2.7%. Investors must also note that it has raised its annual dividend payment for 10 consecutive years, and its 9.4% hike on February 10 has it on pace for 2016 to mark the 11th consecutive year with an increase.

3. Cogeco Communications Inc.

Cogeco Communications Inc. (TSX:CCA) is the 11th-largest cable operator in North America and the second-largest in Ontario and Quebec.

At today's levels, its stock trades at just 11.5 times fiscal 2016's estimated earnings per share of $5.66 and only 11 times fiscal 2017's estimated earnings per share of $5.92, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 23.1 and its industry average multiple of 22.8.

With the multiples above and its and its estimated 9.1% long-term earnings growth rate in mind, I think Cogeco's stock could consistently command a fair multiple of at least 14, which would place its shares upwards of $82 by the conclusion of fiscal 2017, representing upside of more than 26% from today's levels.

In addition, the company pays a quarterly dividend of $0.39 per share, or $1.56 per share annually, which gives its stock a yield of about 2.4%. Investors must also note that it has raised its annual dividend payment for 11 consecutive years, and its 11.4% hike in October 2015 has it on pace for 2016 to mark the 12th consecutive year with an increase.

Should you buy one of these stocks today?

Inter Pipeline, Intact Financial, and Cogeco Communications are three of the top value plays in their respective industries, and all have the added benefit of great dividends. Foolish investors should take a closer look at each and strongly consider beginning to scale in to long-term positions in at least one of them today.

CATEGORY

1. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CCA (COGECO CABLE INC)
2. TSX:IFC (Intact Financial Corporation)

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jsolitro