2 Undervalued TSX 60 Stocks to Pounce On Today

Description

One of the most difficult tasks we face as investors is finding the right stock at the right price when we are ready to buy. Well, in order to make things easier for those of you looking to make a purchase today, I scoured the TSX 60 Index and found two undervalued stocks from different industries, so let's take a quick look at each to determine which would best fit your investment needs.

1. Canadian National Railway Company

Canadian National Railway Company (TSX:CNR)(NYSE:CNI) is the largest rail network operator in Canada and one of the five largest in North America.

At today's levels, its stock trades at just 16.9 times fiscal 2016's estimated earnings per share of $4.67 and only 15.4 times fiscal 2017's estimated earnings per share of $5.12, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 17.6 and its industry average multiple of 18.6.

With the multiples above and its estimated 7.7% long-term earnings growth rate in mind, I think Canadian National's stock could consistently trade at a fair multiple of about 18, which would place its shares upwards of $92 by the conclusion of fiscal 2017, representing upside of more than 16% from today's levels.

In addition, the company pays a quarterly dividend of $0.375 per share, or $1.50 per share annually, which gives its stock a yield of about 1.9%. Investors must also note that it has raised its annual dividend payment for 19 consecutive years, and its 20% hike on January 26 has it on pace for 2016 to mark the 20th consecutive year with an increase.

2. Gildan Activewear Inc.

Gildan Activewear Inc. (TSX:GIL)(NYSE:GIL) is one of world's largest manufacturers and distributors of apparel products.

At today's levels, its stock trades at just 16.5 times fiscal 2016's estimated earnings per share of

US$1.58 and only 14.3 times fiscal 2017's estimated earnings per share of US$1.82, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 22.7 and its industry average multiple of 22.4.

With the multiples above and its estimated 12.1% long-term earnings growth rate in mind, I think Gildan's stock could consistently trade at a fair multiple of at least 20, which would place its shares upwards of $36 by the conclusion of fiscal 2017, representing upside of more than 37% from today's levels.

In addition, the company pays a quarterly dividend of US$0.078 per share, or US$0.312 per share annually, which gives its stock a yield of about 1.2%. Investors must also note that it has raised its annual dividend payment for three consecutive years, and the 20% hike it announced on February 24 has it on pace for 2016 to mark the fourth consecutive year with an increase.

Should you add one of these TSX 60 stocks to your portfolio?

Canadian National Railway and Gildan Activewear are two of the best value plays in their respective industries, and both have the added benefit of dividends. Foolish investors should strongly consider initiating positions in at least one of them today.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:GIL (Gildan Activewear Inc.)
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