These 3 Dividend-Growth Stocks Are too Cheap to Ignore

Description

As investors, it's our goal to outperform the overall market every year. There are many ways to go about trying to do this, but one of the best and least-risky ways I have found is to buy stocks that meet these criteria:

- The company is a leader in its industry
- Its stock is undervalued on a forward price-to-earnings basis
- It has a high dividend yield or it pays a dividend and has an active streak of annual increases

I've scoured the market and selected three stocks from different industries that meet these criteria perfectly, so let's take a quick look at each to determine which would fit best in your portfolio.

1. Pembina Pipeline Corp.

Pembina Pipeline Corp. (TSX:PPL)(NYSE:PBA) is one of the leading transportation and midstream service providers to North America's oil and natural gas industries. It owns and operates pipelines, natural gas gathering and processing facilities, oil and natural gas liquids infrastructure and logistics businesses, and it offers a wide array of midstream and marketing services.

At today's levels, its stock trades at just 28.6 times fiscal 2016's estimated earnings per share of $1.24 and only 22.6 times fiscal 2017's estimated earnings per share of $1.57, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 34.3.

In addition, Pembina pays a monthly dividend of $0.1525 per share, or $1.83 per share annually, which gives its stock a yield of about 5.15%. Investors must also note that it has raised its annual dividend payment for four consecutive years, and its 5.2% hike in May 2015 has it on pace for 2016 to mark the fifth consecutive year with an increase.

2. Finning International Inc.

Finning International Inc. (TSX:FTT) is the world's largest dealer of Caterpillar equipment, parts, and services with operations in Canada, South America, the U.K., and Ireland.

At today's levels, its stock trades at just 15.5 times fiscal 2016's estimated earnings per share of $1.23 and only 13.1 times fiscal 2017's estimated earnings per share of $1.45, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 16.9.

In addition, Finning pays a quarterly dividend of $0.1825 per share, or $0.73 per share annually, which gives its stock a yield of about 3.8%. Investors must also note that it has raised its annual dividend payment for 14 consecutive years, and its 2.8% hike in May 2015 has it on pace for 2016 to mark the 15th consecutive year with an increase.

3. Magna International Inc.

Magna International Inc. (TSX:MG)(NYSE:MGA) is one of the world's largest suppliers of automotive products and services. Its capabilities include producing body, exterior, powertrain, electronic, and roof systems, as well as complete vehicle engineering and contract manufacturing.

At today's levels, its stock trades at just 8.2 times fiscal 2016's estimated earnings per share of US$5.13 and only 7.2 times fiscal 2016's estimated earnings per share of US$5.85, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.

In addition, Magna pays a quarterly dividend of US$0.25 per share, or US$1.00 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 six consecutive years, and its 13.6% hike in February has it on pace for 2016 to mark the seventh consecutive year with an increase.

Which of these stocks fits best in your portfolio?

Pembina Pipeline, Finning International, and Magna International are undervalued and have great dividends, making them ideal investment options. All Foolish investors should strongly consider making one of them a core holding today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:FTT (Finning International Inc.)
4. TSX:MG (Magna International Inc.)
5. TSX:PPL (Pembina Pipeline Corporation)

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