

3 Undervalued Dividend-Growth Stocks to Buy Now

Description

As investors, it is our goal to outperform the overall market each and every year. There are many ways you can go about trying to accomplish 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 that meet these criteria perfectly, so let's take a closer look at each to determine which would be the best fit for your portfolio.

1. Fortis Inc.

Fortis Inc. ([TSX:FTS](#)) is one of the largest electric and gas utilities companies in North America, serving more than three million customers across Canada, the United States, and the Caribbean. Also, upon completion of its deal to acquire **ITC Holdings Corp.**, it will become the largest independent electric transmission company in the United States.

At today's levels, its stock trades at just 18.1 times fiscal 2016's estimated earnings per share of \$2.18 and only 16 times fiscal 2017's estimated earnings per share of \$2.46, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 20.3.

In addition, Fortis pays a quarterly dividend of \$0.375 per share, or \$1.50 per share annually, which gives its stock a yield of about 3.8%.

It is also important to make two notes.

First, Fortis has raised its annual dividend payment for 43 consecutive years, tying it with **Canadian Utilities Limited** for the longest active streak for a public corporation in Canada, and its 10.3% hike in September 2015 has it on pace for 2016 to mark the 44th consecutive year with an increase.

Second, the company has an annual dividend-per-common-share growth target of 6% through 2020.

2. Empire Company Limited

Empire Company Limited ([TSX:EMP.A](#)) is one of Canada's largest food retailers through its wholly owned Sobeys Inc. subsidiary. It also has a 41.5% ownership stake in **Crombie Real Estate Investment Trust**, which is one of the country's largest owners of commercial real estate.

At today's levels, its stock trades at just 15.1 times fiscal 2016's estimated earnings per share of \$1.49 and only 13.9 times fiscal 2017's estimated earnings per share of \$1.61, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 15.8.

In addition, Empire pays a quarterly dividend of \$0.10 per share, or \$0.40 per share annually, which gives its stock a yield of about 1.8%. Investors must also note that it has raised its annual dividend payment for 20 consecutive years, and its 11.1% hike in June 2015 has it on pace for 2016 to mark the 21st consecutive year with an increase.

3. Saputo Inc.

Saputo Inc. ([TSX:SAP](#)) is the largest dairy processor in Canada and one of the 10 largest in the world. Its product offerings include cheese, milk, yogurt, butter, and dairy ingredients.

At today's levels, its stock trades at just 25.9 times fiscal 2016's estimated earnings per share of \$1.58 and only 22.6 times fiscal 2017's estimated earnings per share of \$1.81, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 36.7.

In addition, Saputo pays a quarterly dividend of \$0.135 per share, or \$0.54 per share annually, which gives its stock a yield of about 1.3%. Investors must also note that it has raised its annual dividend payment for 15 consecutive years, and its 3.8% hike in August 2015 has it on pace for 2016 to mark the 16th consecutive year with an increase.

Which of these top stocks belongs in your portfolio?

Fortis, Empire, and Saputo are undervalued and have great dividends, making them ideal long-term investment options. All Foolish investors should strongly consider initiating positions in one or more of them today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EMP.A (Empire Company Limited)
2. TSX:FTS (Fortis Inc.)
3. TSX:SAP (Saputo Inc.)

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