



3 Undervalued Stocks With Yields of 3-4% to Buy Now

Description

If you're a fundamental investor, then this article was written for you. I've scoured the market and found three stocks that are trading at inexpensive forward valuations and have high and safe dividend yields of 3-4%, so I've added them to my watch list. Let's take a closer look at each to determine if they belong on your watch list too or if you should take it one step further by investing in one or more of them today.

1. TMX Group Limited

TMX Group Limited ([TSX:X](#)) operates cash and derivative markets for multiple asset classes, including equities, fixed income, and energy, and it also provides clearing facilities, data products, and related services to the international financial community.

At today's levels, its stock trades at just 12.4 times fiscal 2016's estimated earnings per share of \$3.72 and only 11.1 times fiscal 2017's estimated earnings per share of \$4.17, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 21.3 and its industry average multiple of 21.4.

In addition, TMX pays a quarterly dividend of \$0.40 per share, or \$1.60 per share annually, which gives its stock a yield of about 3.5%.

Investors should also make two notes.

First, TMX has maintained its current annual dividend rate since 2011.

Second, I think the company's consistent cash flows from operating activities, including \$254.2 million in fiscal 2014 and \$250.3 million in fiscal 2015, will allow it to continue to maintain its current annual dividend rate going forward.

2. TransForce Inc.

TransForce Inc. (TSX:TFI) is one of North America's leading providers of transportation and logistics

services, operating across Canada and the United States through its numerous subsidiaries.

At today's levels, its stock trades at just 12.3 times fiscal 2016's estimated earnings per share of \$1.83 and only 10.8 times fiscal 2017's estimated earnings per share of \$2.09, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 21.8 and its industry average multiple of 20.2.

In addition, TransForce pays a quarterly dividend of \$0.17 per share, or \$0.68 per share annually, which gives its stock a yield of about 3%.

Investors should also make two notes.

First, TransForce has raised its annual dividend payment for five consecutive years.

Second, I think the company's increased amount of free cash flow from continuing operations, including its 18.8% year-over-year growth to \$2.91 per share in fiscal 2015, will allow it to continue its streak of annual dividend increases by announcing a hike when it reports its first-quarter earnings results on April 20.

3. WSP Global Inc.

WSP Global Inc. ([TSX:WSP](#)) is one of the world's leading engineering professional services consulting firms.

At today's levels, its stock trades at just 15.8 times fiscal 2016's estimated earnings per share of \$2.48 and only 14 times fiscal 2017's estimated earnings per share of \$2.79, both of which are inexpensive compared with its five-year average multiple of 26.6 and its industry average multiple of 21.5.

In addition, WSP 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%.

Investors should also make two notes.

First, WSP has maintained its current annual dividend rate since 2012.

Second, in its 2015 annual report, the company stated that its current dividend rate is "appropriate" based on its "current earnings and financial requirements," so I think this statement paired with its ample free cash flow generation, including \$2.13 per share in fiscal 2015, will allow it to continue to maintain this rate for the foreseeable future.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:TFII (TFI International)
2. TSX:X (TMX Group)

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Author

jsolitro

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