



3 Undervalued Stocks I'd Buy With an Extra \$9,000

Description

If you're looking to add a value-based investment to your portfolio, then you've come to the right place. I've scoured the market and found three stocks from different industries that are trading at inexpensive forward valuations compared with their five-year averages, so let's take a quick look at each to determine which would fit best in your portfolio.

1. George Weston Limited

George Weston Limited ([TSX:WN](#)) is the largest food processor and distributor in Canada, and it is the company behind **Loblaw Companies Limited**, Weston Foods, and **Choice Properties Real Est Invstmnt Trst**.

At today's levels, its stock trades at just 17.6 times fiscal 2016's estimated earnings per share of \$6.33 and only 15.7 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 41.9 and its industry average multiple of 24.

In addition, George Weston pays a quarterly dividend of \$0.425 per share, or \$1.70 per share annually, which gives its stock a yield of about 1.5%.

Investors should also make two notes.

First, George Weston has raised its annual dividend payment for four consecutive years, and its 1.2% hike in May 2015 has it on pace for 2016 to mark the fifth consecutive year with an increase.

Second, I think the company's strong growth of free cash flow, including its 23.9% year-over-year increase to \$1.28 billion in fiscal 2015, and its low payout ratio will allow it to announce another dividend hike when it releases its first-quarter earnings results on May 10.

2. Laurentian Bank of Canada

Laurentian Bank of Canada ([TSX:LB](#)) is one of the largest banks in eastern Canada with over \$40

billion in total assets.

At today's levels, its stock trades at just 8.3 times fiscal 2016's estimated earnings per share of \$5.64 and only 7.9 times fiscal 2017's estimated earnings per share of \$5.91, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 10.8 and its industry average multiple of 13.2.

In addition, Laurentian Bank pays a quarterly dividend of \$0.58 per share, or \$2.32 per share annually, which gives its stock a yield of about 5%.

Investors should also make two notes.

First, Laurentian Bank has raised its annual dividend payment for eight consecutive years, and its recent increases, including its 3.6% hike in December 2015, have it on pace for 2016 to mark the ninth consecutive year with an increase.

Second, the company has kept its dividend-payout ratio close to 40% of its adjusted net earnings over the last few years, so I think its consistent growth, including its 5.3% year-over-year increase to an adjusted \$1.39 per share in its first quarter of fiscal 2016, will allow its streak of annual dividend increases to continue for the foreseeable future.

3. Badger Daylighting Ltd.

Badger Daylighting Ltd. (TSX:BAD) is North America's leading provider of non-destructive hydrovac excavation services, working with contractors, engineers, and facility owners in numerous industries across the United States and Canada.

At today's levels, its stock trades at just 18 times fiscal 2016's estimated earnings per share of \$1.22 and only 14.5 times fiscal 2017's estimated earnings per share of \$1.52, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 34.7 and its industry average multiple of 20.8.

In addition, Badger pays a monthly dividend of \$0.03 per share, or \$0.36 per share annually, which gives its stock a yield of about 1.6%.

Investors should also make two notes.

First, Badger has maintained its current annual dividend rate since 2013.

Second, I think the company's increased amount of cash provided by operating activities, including its 11.9% year-over-year increase to \$94.2 million in fiscal 2015, and its low payout ratio will allow it to announce a dividend hike at some point in 2016.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:BDGI (Badger Infrastructure Solutions Ltd.)

2. TSX:LB (Laurentian Bank of Canada)
3. TSX:WN (George Weston Limited)

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