2 Undervalued S&P/TSX 60 Stocks to Add to Your Buy List

Description

As a value-conscious investor, I am always on the lookout for high-quality companies whose stocks are trading at discounted levels. After a recent search of the S&P/TSX 60 Index, I came across two very attractive options. Let's take a quick look at each, so you can determine if you should buy one of them today.

1. Power Corporation of Canada

Power Corporation of Canada (TSX:POW) is a diversified international management and holding company with interests in companies in the financial services, communications, and other business sectors.

At today's levels, its stock trades at just 9.5 times fiscal 2016's estimated earnings per share of $3.12 and only 8.6 times fiscal 2017's estimated earnings per share of $3.44, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.4 and its industry average multiple of 16.

With the multiples above and its estimated 11% long-term earnings growth rate in mind, I think Power Corporation's stock could consistently trade at a fair multiple of about 11, which would place its shares upwards of $34 by the conclusion of fiscal 2016 and upwards of $37 by the conclusion of fiscal 2017, representing upside of more than 14% and 25%, respectively, from today's levels.

In addition, the company pays a quarterly dividend of $0.31125 per share, or $1.245 per share annually, which gives its stock a yield of about 4.2%. Investors should also note that it raised its dividend by 5.5% in fiscal 2015 to $1.2238 per share, its first annual increase since 2008, and it is currently on pace for fiscal 2016 to mark the second consecutive year with an increase.

2. Saputo Inc.

Saputo Inc. (TSX:SAP) is the largest dairy processor in Canada, the third-largest in Argentina, the fourth-largest in Australia, and one of the 10 largest in the world. Its product offerings include cheese, fluid milk, extended shelf-life milk and cream products, cultured products, and dairy ingredients.

At today's levels, its stock trades at just 25.5 times fiscal 2016's estimated earnings per share of $1.57 and only 22.1 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 36.5 and its industry average multiple of 28.8.

With the multiples above and its estimated 10.5% long-term earnings growth rate in mind, I think Saputo's stock could consistently trade at a fair multiple of about 30, which would place its shares upwards of $47 by the conclusion of fiscal 2016 and upwards of $54 by the conclusion of fiscal 2017, representing upside of more than 17% and 34%, respectively, from today's levels.

In addition, the company pays a quarterly dividend of $0.135 per share, or $0.54 per share annually, which gives its stock a yield of about 1.35%. 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 fiscal 2016 to mark the 16th consecutive year with an increase.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:POW (Power Corporation of Canada)
2. TSX:SAP (Saputo Inc.)

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