2 Top Stocks That Can Help You Beat the Market

Description

As Foolish investors, it's our goal to outperform the overall market every year. There are many ways you can go about trying to do this, but one of the best and least-risky ways I have found is to buy stocks that meet the following 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 extensive streak of annual increases

I've scoured the market and selected two great stocks that meet these criteria perfectly, so let's take a quick look at each to determine if you should buy one or both of them today.

1. Canadian Imperial Bank of Commerce

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM) is the fifth-largest bank in Canada with over $479 billion in total assets.

At today's levels, its stock trades at just 10.5 times fiscal 2016's estimated earnings per share of $9.58 and only 10.2 times fiscal 2017's estimated earnings per share of $9.84, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 11.1 and its industry average multiple of 12.9.

In addition, CIBC pays a quarterly dividend of $1.18 per share, or $4.72 per share annually, which gives its stock a yield of about 4.7%.

It is also important for investors to make three notes.

First, CIBC has raised its dividend for six consecutive quarters.

Second, the company's numerous dividend hikes over the last year have it on pace for fiscal 2016 to mark the sixth consecutive year in which it has raised its annual dividend payment.

Third, it has a target dividend-payout range of 40-50% of its adjusted net earnings, so I think its consistent growth of earnings, including its 8.1% year-over-year increase to an adjusted $2.55 per share in its first quarter of fiscal 2016, and its growing asset base, including its 7.6% year-over-year increase to $479.03 billion in the same period, will allow its streak of annual dividend increases to continue for the foreseeable future.

2. Empire Company Limited

Empire Company Limited (TSX:EMP.A) is one of the largest owners and operators of grocery stores in Canada through its Sobeys's banner, and it also owns a 41.5% stake in **Crombie Real Estate Investment Trust**, one of the country's largest owners of commercial real estate.

At today's levels, its stock trades at just 14.1 times fiscal 2016's estimated earnings per share of $1.49 and only 13.3 times fiscal 2017's estimated earnings per share of $1.58, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 15.7 and its industry average multiple of 25.9.

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 1.9%.

A 1.9% yield may not seem impressive at first, but it is important for investors to make two notes.

First, Empire's 11.1% dividend hike in June 2015 has it on pace for fiscal 2016 to mark the 21st consecutive year in which it has raised its annual dividend payment.

Second, I think the company's ample free cash flow, including the $340.3 million it generated in its first nine months of fiscal 2016, and its modest payout ratio, including 24.2% of its free cash flow in the same period, will allow its streak of annual dividend increases to continue going forward.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:EMP.A (Empire Company Limited)

Category

1. Dividend Stocks
2. Investing

Date
2025/07/08
Date Created
2016/04/25
Author

jsolitro