

Value Investors: 2 Unloved Picks With Great Dividends

Description

Value investors have to search a bit harder than they did a few months ago to find compelling opportunities, but the market is still serving up some interesting picks.

Here are the reasons why I think **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)) and **Agrium Inc.** ([TSX:AGU](#))([NYSE:AGU](#)) should be on your radar.

Shaw

Shaw is working its way through a major transition.

The company recently purchased Wind Mobile and sold off its Shaw Media division in moves that have some pundits scratching their heads. The result has been a sell-off of the stock as investors fret about strategic flip-flopping and Shaw's ability to ramp up a national presence in the mobile space.

I think the pullback is overdone and offers an interesting value opportunity.

Why?

The addition of a mobile business will give Shaw the ammunition it needs to finally compete on a level playing field with **Telus** in western Canada and the other major players across the country.

The company can now offer TV, Internet, and mobile packages to help retain existing clients and attract new ones away from its peers. At the same time, the sale of the media operations removes content risk from the business just as Canada shifts to a pick-and-pay system for TV subscriptions.

Shaw currently trades at 16 times trailing earnings, which is a sizeable discount to its peers. Once all of the smoke clears on the transition process, the market should start to feel more comfortable with the stock.

In the meantime, investors who buy today can pick up a safe monthly dividend that yields 5%.

Agrium

Agrium is a unique beast in the fertilizer space.

The company has a large wholesale operation that supplies nitrogen, potash, and phosphate to the global market and an international retail business that sells seed and crop protection solutions to farmers. This integrated model serves the company well when commodity prices are in a downturn, and that is why the stock looks so appealing right now.

Wholesale fertilizer prices are in a funk, but Agrium continues to deliver solid results. Net earnings from 2015 rose to US\$988 million, up from US\$798 million the previous year.

A major capital program is wrapping up at the company's nitrogen and potash operations, and that bodes well for dividend investors, as more cash flow should be available for distributions in the coming years. The annualized dividend of US\$3.50 per share currently offers a nice 4.2% yield.

The long-term outlook for fertilizer demand is positive, and investors finally have a chance to buy Agrium at a decent price of just 12.4 times earnings.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:SJR.B (Shaw Communications)

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Author

aswalker

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