These 2 S&P/TSX 60 Components Are Strong Buys

Description

As a fundamental investor, I'm always on the lookout for high-quality companies whose stocks are undervalued and have great dividends, and after a recent search of the S&P/TSX 60 Index, I came across two very attractive options. Let's take a closer look at each, so you can determine if you should buy one or both of them today.

1. Inter Pipeline Ltd.

Inter Pipeline Ltd. (TSX:IPL) operates a diverse portfolio of energy infrastructure assets in western Canada and Europe, including oil sands pipelines, conventional oil pipelines, petroleum and petrochemical storage terminals, and natural gas liquids extraction plants.

At today's levels, its stock trades at just 18.6 times fiscal 2016's estimated earnings per share of $1.44 and only 18.3 times fiscal 2017's estimated earnings per share of $1.46, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 27 and its industry average multiple of 62.6. These multiples are also inexpensive given the company's estimated 9.9% long-term earnings growth rate.

In addition, Inter Pipeline pays a monthly dividend of $0.13 per share, or $1.56 per share annually, which gives its stock a yield of approximately 5.8%.

Investors must also make the following two notes.

First, Inter Pipeline's 6.1% dividend hike in November 2015 has it on pace for fiscal 2016 to mark the eighth consecutive year in which it has raised its annual dividend payment.

Second, I think the company's very strong growth of funds from operations (FFO) attributable to its shareholders, including its 34% year-over-year increase to $733.1 million in fiscal 2015, and its modest payout ratio, including 67.8% of its FFO in fiscal 2015, will allow it to announce a dividend hike in its first-quarter earnings report on May 9.

2. Sun Life Financial Inc.

Sun Life Financial Inc. (TSX:SLF)(NYSE:SLF) is one of the world's largest providers of insurance, retirement, and investment solutions for individuals and businesses. It has about $891 billion in assets under management.

At today's levels, its stock trades at just 11.5 times fiscal 2016's estimated earnings per share of $3.75 and only 10.6 times fiscal 2017's estimated earnings per share of $4.08, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 17.1 and its industry average multiple of 19.5. These multiples are also inexpensive given the company's estimated 10% long-term earnings growth rate.

In addition, Sun Life pays a quarterly dividend of $0.39 per share, or $1.56 per share annually, which gives its stock a yield of approximately 3.6%.

Investors must also make the following two notes.

First, Sun Life's 2.6% dividend hike in November 2015 has it on pace for fiscal 2016 to mark the second consecutive year in which it has raised its annual dividend payment.

Second, the company has a target dividend-payout range of 40-50% of its underlying net earnings, so I think its very strong growth, including its 27% year-over-year increase to $3.76 per share in fiscal 2015, and its low payout ratio, including 40.2% in fiscal 2015, will allow it to announce a dividend hike in its first-quarter earnings report on May 11.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:SLF (Sun Life Financial Inc.)

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