3 Undervalued Dividend Stocks I'd Buy With an Extra $15,000

Description

As investors, it's our goal to beat the market every single 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 these 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 three stocks that meet these criteria perfectly, so let's take a quick look at each to determine which would fit best in your portfolio.

1. DH Corp.

DH Corp. (TSX:DH) is one of the leading providers of financial technology to the world's financial institutions, including lending, payments, enterprise, and global transaction banking solutions.

At today's levels, its stock trades at just 14.9 times fiscal 2016's estimated earnings per share of $2.32 and only 13 times fiscal 2017's estimated earnings per share of $2.66, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 28 and its industry average multiple of 26.

In addition, DH pays a quarterly dividend of $0.32 per share, or $1.28 per share annually, which gives its stock a yield of about 3.7%. Investors must also note that the company has maintained this annual rate since 2013, but I think it's well positioned to raise its dividend in the very near future.

2. Domtar Corp.

Domtar Corp. (TSX:UFS)(NYSE:UFS) is one of the world's leading providers of fibre-based products, including communication, specialty, and packaging papers, market pulp, and absorbent hygiene products.

At today's levels, its stock trades at just 14.8 times fiscal 2016's estimated earnings per share of US$2.56 and only 10.6 times fiscal 2017's estimated earnings per share of US$3.58, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 21.5 and its industry average multiple of 29.9.

In addition, Domtar pays a quarterly dividend of US$0.415 per share, or US$1.66 per share annually, which gives its stock a yield of about 4.4%. Investors must also note that the company has raised its annual dividend payment for five consecutive years, and its two hikes since the start of 2015, including its 6.7% hike in February 2015 and its 3.8% hike earlier this month, have it on pace for 2016 to mark the sixth consecutive year with an increase.

3. TransForce Inc.

TransForce Inc. (TSX:TFI) is one of the leading providers of trucking and logistics services in North America with operations across Canada and the United States. Its subsidiaries include Highland, Clarke, All Canadian Courier, Hazen Final Mile, Kingsway, and CK Logistics.

At today's levels, its stock trades at just 12.8 times fiscal 2016's estimated earnings per share of $1.88 and only 11.4 times fiscal 2017's estimated earnings per share of $2.10, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 17.7 and its industry average multiple of 23.

In addition, TransForce pays a quarterly dividend of $0.17 per share, or $0.68 per share annually, which gives its stock a yield of about 2.8%. A 2.8% yield may not impress you at first, but it's very important to note that the company has raised its annual dividend payment for five consecutive years, and it's well positioned to have this streak continue in 2016.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:TFII (TFI International)
2. TSX:UFS (Domtar Corporation)

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