3 Undervalued Growth Stocks to Add to Your Buy List

Description

Investing in stocks that are trading at low valuations compared with their recent averages and that are expected to grow their earnings at a high rate can help you generate market-beating returns. With these criteria in mind, I scoured the market and selected three high-quality stocks that you could buy right now, so let's take a quick look at each.

1. Cineplex Inc.

Cineplex Inc. (TSX:CGX) is the largest owner and operator of movie theatres in Canada. It has 163 theatres across the country and an estimated 79.5% market share as of March 31, 2016.

At today's levels, its stock trades at just 26.2 times fiscal 2016's estimated earnings per share of $1.95 and only 22.5 times fiscal 2017's estimated earnings per share of $2.27, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 29.5. These multiples are also very inexpensive given its estimated 18.6% long-term earnings-growth rate.

In addition, the company pays a monthly dividend of $0.135 per share, or $1.62 per share annually, giving its stock a yield of about 3.2%. It has also raised its annual dividend payment for five consecutive years, and its two hikes since the start of 2015 have it on pace for 2016 to mark the sixth consecutive year with an increase.

2. Gildan Activewear Inc.

Gildan Activewear Inc. (TSX:GIL)(NYSE:GIL) is one of world's largest manufacturers and distributors of apparel, including T-shirts, fleece, underwear, socks, hosiery, shapewear, and sport shirts.

At today's levels, its stock trades at just 18.5 times fiscal 2016's estimated earnings per share of US$1.59 and only 15.5 times fiscal 2017's estimated earnings per share of US$1.90, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 22.9. These multiples are also very inexpensive given its estimated 14.2% long-term earnings-growth rate.

In addition, the company pays a quarterly dividend of US$0.078 per share, or US$0.312 per share annually, giving its stock a yield of about 1.1%. It has also raised its annual dividend payment for three consecutive years, and its 20% hike in February has it on pace for 2016 to mark the fourth consecutive year with an increase.

3. Canadian Pacific Railway Limited

Canadian Pacific Railway Limited (TSX:CP)(NYSE:CP) owns and operates one of North America's largest rail networks with more than 12,500 miles of track across Canada and the United States. It also offers a suite of freight transportation services, logistics solutions, and supply chain expertise.

At today's levels, its stock trades at just 16 times fiscal 2016's estimated earnings per share of $10.59 and only 14.1 times fiscal 2017's estimated earnings per share of $12.03, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 27. These multiples are also very inexpensive given its estimated 10.4% long-term earnings-growth rate.

In addition, the company pays a quarterly dividend of $0.50 per share, or $2.00 per share annually, giving its stock a yield of about 1.2%. It also raised its dividend by 42.9% in April, putting it on pace for 2016 to mark the first year in which it has raised its annual dividend payment since 2012.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CP (Canadian Pacific Railway)
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