



2 Undervalued Dividend-Growth Stars to Buy Right Now

Description

As investors, we want to outperform the overall market every single year, but our ultimate goal is to outperform the overall market over the long term. There are many ways you can go about trying to do this, but one of the best and least-risky ways is to buy high-quality stocks with great fundamentals. Here are some criteria you could use:

1. The company is a leader in its industry
2. Its stock is undervalued
3. It pays a dividend, has an extensive streak of annual increases, and has the ability to continue growing its payout going forward

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

Canadian Imperial Bank of Commerce

1. The company is a leader in its industry

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#)) is Canada's fifth-largest bank with over \$478 billion in assets. It provides a wide range of financial products and services to 11 million clients in Canada and around the world.

2. Its stock is undervalued

CIBC's stock currently trades at just 10.3 times fiscal 2016's estimated earnings per share of \$9.55 and only 10 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 14.4. These multiples are also inexpensive given its estimated 4.5% long-term earnings-growth rate.

3. It pays a dividend, has an extensive streak of annual increases, and has the ability to continue growing its payout going forward

CIBC pays a quarterly dividend of \$1.21 per share, or \$4.84 per share annually, giving its stock a yield of about 4.9% at today's levels.

It's also important to make the following three notes about its dividend.

First, it has not missed a regular dividend payment since it initiated its dividend in 1868.

Second, it has raised its dividend for seven consecutive quarters, and its six hikes since the start of 2015 have it on pace for 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 net earnings, so its consistent growth, including its 5.7% year-over-year increase to an adjusted \$9.45 per share in fiscal 2015 and its 6.7% year-over-year increase to an adjusted \$4.95 per share in the first half of fiscal 2016, and its rock-solid balance sheet could allow its streak of quarterly and annual dividend increases to continue going forward.

Cogeco Communications Inc.

1. The company is a leader in its industry

Cogeco Communications Inc. ([TSX:CCA](#)) is the eighth-largest cable operator in North America, operating as Cogeco Connexion in Canada and Atlantic Broadband in the United States. It provides its customers with video, internet, and telephony services through its two-way broadband fibre networks.

2. Its stock is undervalued

Cogeco's stock currently trades at just 11.9 times fiscal 2016's estimated earnings per share of \$5.23 and only 11.2 times fiscal 2017's estimated earnings per share of \$5.57, both of which are inexpensive compared with its five-year average price-to-earnings multiple of 22.7 and its industry average multiple of 24. These multiples are also inexpensive given its estimated 5.3% long-term earnings-growth rate.

3. It pays a dividend, has an extensive streak of annual increases, and has the ability to continue growing its payout going forward

Cogeco pays a quarterly dividend of \$0.39 per share, or \$1.56 per share annually, giving its stock a yield of about 2.5% at today's levels.

It's also important to make the following two notes about its dividend.

First, it has raised its annual dividend payment for 11 consecutive years, and its 11.4% hike in October has it on pace for 2016 to mark the 12th consecutive year with an increase.

Second, its very strong growth of operating cash flow, including its 15.8% year-over-year increase to \$483.55 million in the first nine months of fiscal 2016, and the strength and stability of its business model could allow its streak of annual dividend increases to continue for many years to come.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CCA (COGECO CABLE INC)
3. TSX:CM (Canadian Imperial Bank of Commerce)

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