



2 Undervalued S&P/TSX 60 Constituents With Great Dividends

Description

As a fundamental investor, I'm always on the lookout for quality companies whose stocks are trading at discounted levels 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 invest in one or both of them today.

Manulife Financial Corp.

Manulife Financial Corp. ([TSX:MFC](#))([NYSE:MFC](#)) is one of the world's largest financial services groups. It provides financial advice, insurance products, and wealth and asset management solutions to more than 22 million clients in Canada, the U.S., and around the world under its Manulife and John Hancock brands.

At today's levels, Manulife's stock trades at just 10.9 times fiscal 2017's estimated earnings per share of \$2.23 and only 10 times fiscal 2018's estimated earnings per share of \$2.44, both of which are very inexpensive compared with its five-year average price-to-earnings (P/E) multiple of 16.9. It's also expected to grow its earnings at a rate of about 12.4% over the long term, making it both a value and growth play today.

Additionally, Manulife pays a quarterly dividend of \$0.205 per share, equal to \$0.82 per share annually, giving its stock a healthy 3.4% yield today.

Investors must also make the following two notes about its dividend.

First, Manulife has raised its annual dividend payment each of the last three years, and its 10.8% hike in February has positioned it for 2017 to mark the fourth consecutive year with an increase.

Second, I think its very strong growth of common shareholders' net income, including its 34.7% year-over-year increase to \$2.8 billion in 2016 and its 28.8% year-over-year increase to \$1.31 billion in the first quarter of 2017, will allow its streak of annual dividend increases to easily continue into the late 2020s.

Gildan Activewear Inc.

Gildan Activewear Inc. ([TSX:GIL](#))([NYSE:GIL](#)) is one of world's largest manufacturers and distributors of apparel and socks. Its product offerings include T-shirts, fleece, sport shirts, underwear, hosiery, shapewear, and socks, and its family of brands includes Gildan, Gold Toe, Anvil, Comfort Colors, Secret, and American Apparel.

At today's levels, Gildan's stock trades at just 18.3 times fiscal 2017's estimated earnings per share of US\$1.68 and only 16.5 times fiscal 2018's estimated earnings per share of US\$1.86, both of which are inexpensive compared with its five-year average P/E multiple of 22.8. It's also expected to grow its earnings at a rate of about 12.6% over the long term, making it both a value and growth play, like Manulife Financial.

In addition, Gildan pays a quarterly dividend of US\$0.0935 per share, equal to US\$0.374 per share annually, giving its stock a yield of about 1.2% today.

A 1.2% yield may make you question how Gildan can be considered a "great" dividend stock, so you must also make the following two notes.

First, it has raised its annual dividend payment for four consecutive years, and its 19.9% hike in February has it positioned for 2017 to mark the fifth consecutive year with an increase.

Second, I think Gildan's very strong growth of free cash flow, including its 150.9% year-over-year increase to a record US\$398.4 million in 2016 and its US\$99.7 million year-over-year increase to US\$41.3 million in the first quarter of 2017, will allow its streak of annual dividend increases to continue for the next decade.

Which of these S&P/TSX 60 constituents belongs in your portfolio?

I think Manulife Financial and Gildan Activewear represent fantastic long-term investment opportunities, so take a closer look at each and strongly consider adding at least one of them to your portfolio today.

CATEGORY

1. Dividend Stocks
2. Investing

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1. NYSE:GIL (Gildan Activewear Inc.)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:GIL (Gildan Activewear Inc.)
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Author

jsolitro

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