2 Undervalued Dividend-Growth Stars I'd Buy Today

Description

As investors, we set our sights on outperforming the market each and every year, but our ultimate goal is to outperform the 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 I have found is to buy stocks that are undervalued on a forward price-to-earnings basis and have great dividends. I've scoured the market and selected two stocks that meet these criteria perfectly, so let's take a closer look at each to determine which would fit best in your portfolio.

Magna International Inc.

Magna International Inc. (TSX:MG)(NYSE:MGA) is one of the world's largest automotive suppliers with operations in 29 countries. It designs, develops, and manufactures automotive systems, assemblies, modules, and components, and it offers a wide range of services, such as engineering and complete vehicle assembly.

At today's levels, Magna's stock trades at just eight times fiscal 2017's estimated earnings per share of US$5.76 and a mere 7.2 times fiscal 2018's estimated earnings per share of US$6.41, both of which are very inexpensive compared with its five-year average price-to-earnings (P/E) multiple of 10.4. It's also expected to grow its earnings at an average rate of about 11% over the long term, making it both a value and growth play today.

In addition to being an undervalued growth stock, Magna has a great dividend. It currently pays a quarterly dividend of US$0.275 per share, equal to US$1.10 per share annually, which gives it a 2.4% yield today. A 2.4% yield may make you question how Magna can be considered a "great" dividend stock, but what it lacks in yield, it makes up for in growth. The company has raised its annual dividend payment for seven consecutive years, and its 10% hike in February has it positioned for 2017 to mark the eighth consecutive year with an increase.

Canadian Utilities Limited

Canadian Utilities Limited (TSX:CU) is a diversified global corporation that provides services and innovative business solutions in the electricity, pipelines and liquids, retail energy, and structures and logistics industries.

At today’s levels, its stock trades at just 17.7 times fiscal 2017’s estimated earnings per share of $2.35 and only 17.5 times fiscal 2018’s estimated earnings per share of $2.38, both of which are inexpensive compared with its five-year average P/E multiple of 20.1. It’s also expected to grow its earnings at an average rate of about 5.5% over the long term, which means its earnings growth is expected to accelerate in 2019 and beyond.

On top of being undervalued, Canadian Utilities has one of the best dividends in the market. It currently pays a quarterly dividend of $0.3575 per share, representing $1.43 per share on an annualized basis, which gives it a beautiful 3.4% yield today. The company has also raised its annual dividend payment for 44 consecutive years, the longest active streak for a public corporation in Canada, and its 10% hike in January has it positioned for 2017 to mark the 45th consecutive year with an increase.

Which should you buy today?

I think Magna International and Canadian Utilities are strong buys, so take a closer look at each and strongly consider making at least one of them a core holding today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:MGA (Magna International Inc.)
2. TSX:CU (Canadian Utilities Limited)
3. TSX:MG (Magna International Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/25
Date Created
2017/07/04
Author
jsolitro