2 Undervalued Stocks With Yields Over 4%

Description

One of the most difficult tasks we face as investors is finding the right stock at the right price when we're ready to make a purchase, especially when we're looking for one that is both undervalued and has a great dividend. Fortunately for those of you who are reading this article, I've done the hard part and found two stocks that meet these criteria perfectly, so let's take a closer look at each to determine which would be the best fit for your portfolio.

Power Financial Corp.

Power Financial Corp. (TSX:PWF) is a diversified management and holding company with ownership interests, directly or indirectly, in companies in the financial services sector in Canada, the United States, and across Europe. Its principal subsidiaries include **Great-West Lifeco Inc.**, **IGM Financial Inc.**, and Pargesa Holding SA.

At today's levels, Power Financial's stock trades at just 10.8 times fiscal 2017's estimated earnings per share of $3.09 and a mere 9.7 times fiscal 2018's estimated earnings per share of $3.44, both of which are inexpensive compared with its five-year average price-to-earnings (P/E) multiple of 11.9. It's also expected to grow its earnings at an average rate of about 5.6% over the long term, making it both a value and growth play today.

In addition, Power Financial pays a quarterly dividend of $0.4125 per share, equal to $1.65 per share annually, which gives it a juicy yield of about 5% today. The company has also raised its annual dividend payment for two consecutive years, and its 5.1% hike in March has it on pace for 2017 to mark the third consecutive year with an increase.

Telus Corporation

Telus Corporation (TSX:T)(NYSE:TU) is Canada's third-largest and fastest-growing national telecommunications company with about 12.7 million subscriber connections as of March 31, 2017, which includes 8.6 million wireless subscribers, 1.7 million internet subscribers, 1.4 million residential network access lines, and over one million TELUS TV subscribers.

At today's levels, Telus's stock trades at just 16.5 times fiscal 2017's estimated earnings per share of $2.72 and only 15.5 times fiscal 2018's estimated earnings per share of $2.88, both of which are inexpensive compared with its five-year average P/E multiple of 18.4. It's also expected to grow its earnings at an average rate of about 5.7% over the long term, making it both a value and growth play, like Power Financial.

Additionally, Telus pays a quarterly dividend of $0.4925 per share, equal to $1.97 per share annually, giving it a very generous yield of about 4.4% today. It's also important to note that the company's recent dividend hikes have it one pace for 2017 to mark the 14th consecutive year in which it has raised its annual dividend payment, and it has a dividend-growth program in place that calls for annual growth of 7-10% through 2019.

Which of these high-quality stocks belongs in your portfolio?

I think Power Financial and Telus represent great long-term investment opportunities, so take a closer look at each and strongly consider making at least one of them a core holding today.

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Date
2025/09/11
Date Created
2017/07/04
Author
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