



2 Undervalued Income Stocks With Yields Over 5%

Description

If you're on the hunt for an undervalued income stock with a high yield that you can buy and hold for decades, then you've come to the right place. Let's take a closer look at two with yields of 5-7%, so you can determine if you should buy one or both of them today.

TransAlta Renewables Inc.

TransAlta Renewables Inc. ([TSX:RNW](#)) is one of the world's largest owners and operators of clean-energy infrastructure. Its portfolio currently consists of ownership interests in 18 wind facilities, 13 hydroelectric facilities, eight natural gas generation facilities, and one natural gas pipeline, which are located in Canada, the U.S., and Australia.

At today's levels, TransAlta Renewables's stock trades at just 16.1 times fiscal 2017's estimated earnings per share of \$0.96 and only 14.5 times fiscal 2018's estimated earnings per share of \$1.07, both of which are very inexpensive compared with its five-year average price-to-earnings (P/E) multiple of 26.5.

On top of being undervalued, TransAlta Renewables has a great dividend. It pays a monthly dividend of \$0.07333 per share, representing \$0.88 per share annually, which gives it a juicy 5.7% yield today.

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

First, TransAlta Renewables has raised its annual dividend payment every year since its initial public offering in 2013, giving it an active streak of three consecutive years of increases.

Second, the company has stated that it will raise its dividend by another 6-7% once it commissions its South Hedland Power Station in Western Australia, which should be within the next couple of weeks. This dividend hike would put it on pace for 2017 to mark the fourth consecutive year in which it has raised its annual dividend payment and would also put it on pace for 2018 to mark the fifth consecutive year with an increase.

First National Financial Corp.

First National Financial Corp. ([TSX:FN](#)) is the parent company of First National Financial LP. With nearly \$100 billion in mortgages under administration, First National is Canada's largest non-bank originator and underwriter of mortgages, and it's one of the top three in market share in the mortgage broker distribution channel.

At today's levels, First National's stock trades at just 9.3 times fiscal 2017's estimated earnings per share of \$2.89 and only 9.1 times fiscal 2018's estimated earnings per share of \$2.97, both of which are inexpensive compared with its five-year average P/E multiple of 11.3.

In addition to being undervalued, First National is a great stock to buy for a growing stream of monthly income. It currently pays a monthly dividend of \$0.154167 per share, equal to \$1.85 per share annually, giving it a massive 6.9% yield today. Investors must also note that it has raised its annual dividend payment for five consecutive years, and its 8.8% hike in February has it positioned for 2017 to mark the sixth consecutive year with an increase and also has it positioned for 2018 to mark the seventh consecutive year with an increase.

Which of these top income stocks belongs in your portfolio?

TransAlta Renewables and First National Financial are undervalued income stocks with high yields and track records of dividend growth, making them strong buys in my book. Foolish investors should take a closer look at each and strongly consider initiating positions in at least one of them today.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:FN (First National Financial Corporation)
2. TSX:RNW (TransAlta Renewables)

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Date

2025/07/05

Date Created

2017/07/05

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