



## 2 Undervalued Stocks to Buy Now

### Description

In this market, it is getting increasingly hard to find undervalued, or even reasonably valued, stocks. But it's not impossible.

Here are two:

Yes, **Labrador Iron Ore Royalty Corp.** ([TSX:LIF](#)) has skyrocketed recently, and yes, it is still undervalued.

While the stock has more than doubled in the last two years, so have the company's earnings and cash flow.

China has been curtailing steel production in its bid to improve the environment, and the government continues to push for a cleaner industry. High-grade iron ore such as Labrador's has been in greater demand, thus pushing up prices and the price differential. Iron ore prices should remain firm, as this new structural development supports it.

Labrador Iron Ore has been a pillar of strength. Being a royalty company, it does not bear the brunt of operating costs, and being a high-quality producer, it prices its iron ore at a significant premium to the market.

The company continues to benefit from rising production and decreasing costs. Production in the third quarter was 18% higher sequentially, and costs were marginally lower.

With a dividend yield of 4%, the stock remains a good buy for its yield and for its superior position in the [booming iron ore market](#).

**Industrial Alliance Insur. & Fin. Ser.** ([TSX:IAG](#)) has been firing on all cylinders as of late, reporting better than expected results for the second consecutive quarter. After numerous dividend increases since 2013, the stock currently has a dividend yield of 2.55%.

In the last quarter, the third quarter of 2017, Industrial Alliance handily beat expectations, reporting

EPS of \$1.35 compared to consensus expectations of \$1.27 and compared to \$1.28 in the third quarter of 2016.

The company has a high sensitivity to [rising interest rates](#) and has disclosed that a 10-basis-point increase in interest rates would increase net income by \$15 million. For perspective, net income in the third quarter was \$144.9 million.

While the company is pretty much a domestic operator, which has a slower growth profile than some of the international locations, such as Asia, the insurance business grew 15% in the quarter, and the recent acquisition of HollisWealth should help drive growth going forward.

And in my view, the stock trades at a multiple that reflects this domestic concentration. With a P/E multiple of 12 compared to the peer group, which trades at multiples of +14 times.

Management has released guidance, calling for +10% EPS growth over the medium term.

In closing, these two companies are benefitting from two distinct trends that are happening now and that are expected to continue — namely, booming iron ore prices and rising interest rates.

## CATEGORY

1. Dividend Stocks
2. Investing
3. Metals and Mining Stocks

## TICKERS GLOBAL

1. TSX:IAG (iA Financial Corporation Inc.)
2. TSX:LIF (Labrador Iron Ore Royalty Corporation)

## PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
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