



3 Undervalued Dividend Stocks for Those Seeking a Margin of Safety This Christmas

Description

A margin of safety is a concept that value investors live by. Warren Buffett loves wonderful businesses that are trading at significant discounts to their intrinsic value with a significant margin of safety. If you're a risk-averse investor, it's strongly encouraged that you buy a stock with a margin of safety to minimize your downside.

Spotting stocks with margins of safety can be tricky, but if you have a look at the bargain bin, there are ways that you can easily decipher whether a stock is undervalued with a margin of safety or if a stock is just cheap and could get cheaper as additional headwinds begin to mount.

Here's a look at five stocks that I believe have a margin of safety at current levels:

Enbridge Inc. ([TSX:ENB](#))([NYSE:ENB](#))

Enbridge has been a market darling for dividend-growth investors for quite some time. The business has run into troubles of late with uncertainty following its considerable debt load and the Line 3 pipeline.

Some pundits claim that the company hasn't performed well enough to merit a double-digit percentage dividend hike; however, Enbridge is keeping its promise to investors, as it continues on its dividend-growth trajectory.

The company has a new plan that will cut debt while keeping its investors happy. The dividend currently yields a fat 5.42%, and with more dividend hikes on the horizon, now is an opportune time to jump in with shares still down ~25% from all-time highs. It's a high-quality name that I believe has a considerable margin of safety as we head into the new year.

Canadian Imperial Bank of Commerce ([TSX:CM](#))([NYSE:CM](#))

When it comes to value in the Canadian financials, it really doesn't get better than CIBC — a stock that many [pundits and analysts love to underestimate](#). With the addition of PrivateBancorp, I think CIBC is an incredible bank that has built a solid U.S. foundation for itself, and the timing couldn't be better, as

Trump looks to give the American economy a boost.

Despite CIBC's recent efforts to become a more robust bank, analysts seem to be focused on CIBC's exposure to the Canadian housing market, which some believe is on the verge of collapsing. That's a far-fetched claim, so realistic investors should do themselves a service by picking up shares, which currently trade at a mere 10.65 price-to-earnings multiple — much lower than its bigger brothers, even after an incredible earnings beat, which surprised many analysts.

Cameco Corp. ([TSX:CCO](#))([NYSE:CCJ](#))

Cameco is an [absurdly undervalued stock](#) that has been beaten up non-stop since the Fukushima disaster, which caused many to be frightened of nuclear energy. While there are many near-term headwinds that could still send the stock lower, over the bigger scheme of things, I think it's fair to say that the stock is pretty close to reaching a bottom, especially when you consider the long-term tailwinds that will likely push up uranium prices and the stock of Cameco.

Cameco is one of the lowest-cost producers out there, and as global markets like China and India gradually warm up to the thought of nuclear power, it's a pretty safe bet that Cameco stock will be much higher five years from now.

We've come to a point where China and India need to consider cleaner sources of energy before their air quality drops to levels where select cities could be deemed inhabitable. Renewable energy is a compelling long-term option, but in the near term, nuclear power is probably the best bet for countries with the largest populations on the planet.

The dividend got slashed, and production cuts were made, so most of the negativity is already out in the open. Now may be a time to be greedy with a stock that's out of favour.

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