2 Dividend-Growth Stars Trading at Less Than 10 Times Earnings

Description

As a fundamental investor, I'm always on the lookout for quality companies whose stocks are trading at discounted levels and have great dividends, and, after a recent search of several industries, I came across two very attractive options. Let's take a closer look at each, so you can determine if you should invest in one or both of them today.

Equitable Group Inc. (TSX:EQB)

Equitable Group is Canada's ninth-largest independent Schedule I bank with over $24 billion in assets under management. It offers a range of residential lending, commercial lending, and savings solutions to Canadians from coast to coast, and its digital banking arm, EQ Bank, provides state-of-the-art digital banking services as well.

At today's levels, Equitable Group's stock trades at 7.3 times fiscal 2017's estimated earnings per share (EPS) of $9.23 and 6.9 times fiscal 2018's estimated EPS of $9.68, both of which are inexpensive compared with its five-year average price-to-earnings (P/E) multiple of 7.9; these multiples are also very inexpensive given its current earnings-growth rate, including its 18.5% year-over-year growth to $7.03 per diluted share in its nine-month period ended September 30, 2017.

In addition to having a stock that trades at less than 7.5 times this year's and next year's earnings estimates, Equitable Group has a great dividend. It currently pays a quarterly dividend of $0.25 per share, representing $1 per share annually, which gives it a 1.5% yield; a yield this low may make you question how its dividend can be considered "great," so you must factor in that the bank has raised its dividend for seven straight years, and its recent hikes, including its three hikes in 2017, have it on track for 2018 to mark the eighth straight year with an increase.

Magna International Inc. (TSX:MG)(NYSE:MGA)

Magna is one of the world's leading automotive suppliers with capabilities that include body exteriors and structures, power and vision technologies, seating systems, and complete vehicle solutions.

At current levels, Magna's stock trades at 9.9 times fiscal 2017's estimated EPS of US$6.01 and 8.9 times fiscal 2018's estimated EPS of US$6.71, both of which are very inexpensive compared with its five-year average P/E multiple of 10.5; these multiples are also very inexpensive given its current earnings-growth rate, including its 11.5% year-over-year growth to US$4.37 per share in its nine-month period ended on September 30, 2017, and its estimated 11% long-term earnings-growth rate.

In addition to having a stock that trades at less than 10 times this year's and next year's EPS, Magna has a fantastic dividend. It currently pays a quarterly dividend of US$0.275 per share, representing US$1.10 per share annually, giving it a 1.8% yield. The automotive giant has also raised its annual dividend payment for eight consecutive years, and I think its very strong financial performance will allow it to continue this streak in 2018 by announcing a hike in its fourth-quarter release next month.

CATEGORY

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