



Attractive Price Multiples for These 3 Stocks: Value Invest Like Warren Buffett

Description

The forward price-to-earnings ratio (fwd P/E) is one of my most valued metrics in evaluating companies. Looking back on a company's history (the rear view mirror) is due diligence, but looking through the windshield is where you should focus. These three stocks count as value investments, with decent dividends and bargain pricing based on forward earnings.

Symbol	Dividend yield	Payout ratio	Fwd P/E ratio	Return-on-equity
EFN	3.2%	96%	10	10.5%
FSZ	5.6%	+300%	11	2.6%
MIC	4.4%	31%	9	14.3%

Source: Yahoo Finance.

Element Fleet Management Corp. ([TSX:EFN](#)) does [quality](#) business, but you've probably have never heard of it. This \$3.4 billion market cap company services and finances commercial vehicles. Among the +2,800 customers, which could be shipping companies or transportation services, 70% of Element's revenue comes from the U.S.

Whereas train lines in North America have strong east-to-west roots, Element services its client by optimizing any route or operation. Revenues were, however, flat from 2016 to 2017, and the share price paid fairly significantly, down over 20%. Earnings per share are expected to be sizeable increases in 2018 from \$0.74 to \$0.91. If estimates hold, then the stock is indeed deeply discounted.

Fiera Capital Corporation ([TSX:FSZ](#)) is an asset management firm, valued at \$1.1 billion. It's a diverse business, since it runs the gamut of investment operations, including fixed income, equities, real estate, commercial lending, and more.

Fiera's clients include pension funds, charities, religious organizations, and high-net-worth individuals. If you don't fall into one of those categories, then that might explain why you have not heard of Fiera.

Assets under management tally \$123 billion, rising considerably each year; 51% of these assets are

fixed-income instruments, such as money markets or bonds. Having \$62 billion to throw into the bond market gives Fiera major leverage, likely giving this company first dibs on newly issued bonds; it can squeeze out a bond yield that an individual investor would struggle to negotiate.

Rising interest rates represent a headwind for its bond allocation, because long-term bonds will have an inferior yield as rates rise, losing value relative to shorter-term bonds.

Unlike smaller & private asset management firms, Fiera has the dubious distinction of effectively two audiences it must please: its clients and shareholders. You may be considering signing up to the shareholder camp. Raising client fees to generate revenue would be good for shareholders, but bad for clients. This teeter-totter balance is typical in the financial sector, but Fiera offers more of a boutique service, so it must tread carefully.

If you can [get past](#) the high dividend payout, the fwd P/E of 11 is a multi-year low (read: bargain). Analysts are unanimously bullish for Fiera in 2018. Look for the price to stabilize, trade sideways for a while, then bounce up from ~\$13 per share.

Genworth MI Canada Inc. (TSX:MIC) is Canada's largest mortgage insurance company, valued at \$3.8 billion. This stock has a high beta (1.95), mostly because it acutely experiences any volatility in the housing market. I'm predicting that Genworth will have another fantastic year (the year-to-date return was 27%) because of multiple headwinds, such as added scrutiny for home buyers, which plays into the Genworth's business, the consistent double-digit return on equity, the low fwd P/E, and a yield that will continue to attract income investors.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EFN (Element Fleet Management Corp.)
2. TSX:FSZ (Fiera Capital Corporation)

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Author

bmacintosh

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