A Double-Digit Club: 4 Stocks With Growth and Income

Description

There are times when spotting value stocks is difficult. This is not the case for many TSX stocks right now. Nobody minds buying shares when the price is discounted. These four stocks offer a combination of growth over the next year and income from the dividend. Which one is best for you?

Emera Inc. (TSX:EMA) is a diversified energy company primarily focused on electrical transmission service. Emera's upside starts with its 5.63% dividend, which is in good standing given with a payout ratio of 90%. Although current investors are hurting after two bad years, the forward price-to-earnings ratio (fwd P/E) is 14 and 21% below the five-year average.

The upside potential is there. The stock needs to hold above $40 a share to keep investor confidence up. If the forecasts stick, earnings per share (EPS) from 2017 to 2018 will increase 15%. That's an EPS that is about elbow-length above previous years, which is not too shabby.

Having issued new preferred shares — $300 million at the end of May — means more corporate debt, but this blip is not enough to keep investors on the sidelines when there is a strong prospect of a double-digit return.

Outlook: stable income + some growth.

CI Financial Corp. (TSX:CIX) is an old-school investment shop with $180 billion in total assets, offering mutual fund and fixed-income markets across its subsidiaries (e.g., Assante Wealth Management). Despite popularity of low-fee exchange-traded funds (ETFs), many people are fine to hand their money over to capable investing hands. CI Financial's business is on solid ground, as is the 5.23% dividend. The EPS forecast of a 10% increase is 121 basis points above historic levels.

Outlook: safe income + some growth.

Intertape Polymer Group Inc. (TSX:ITP) is a $1.2 billion company providing tape products. Intertape fell 2.4% in one day, which is fairly extreme (the range is -3.2% to +3.7% in one day). It's another sign this sector is churning over, with downside market pressures. This is the case for large-cap competitor **3M Company**, which is down for the year. Intertape missed on earnings in three out of four recent quarters, but it is still a safe and solid investment move. EPS is expected to rise 18% and 15% for 2018 and 2019. The 3.8% dividend is a bonus.

Outlook: bumpy growth + stable income

Alimentation Couche-Tard Inc. (TSX:ATD.B) is gas station and convenience store business with a global footprint. Alimentation is a hot topic recently. The 3.59% drop in one day (June 7) is surprising, since it is not tied to specific news. But it is setting up for a great buying opportunity. As a whole, this consumer defensive sector has underperformed. Alimentation's fwd P/E seldom dips into the low to mid-teens but is now 14, which is 22% below the five-year average. EPS is expected to grow 17% in 2018. Next year is similarly 18%.

Outlook: growth + low income.

The bottom line

These stocks have fallen in recent weeks. Don't catch a falling knife. The stocks will undoubtedly stabilize when the sell-off is over. Analysts agree Alimentation is undervalued. I concur. Potential price fluctuation at the pump and the modest increase in debt are not risks to be scared away from this investment. Short-term tailwind: people will drive and pay up for summer holiday travel. Alimentation has the widest margin of safety among these four stocks, because it is inherently defensive, less affected by recession, has a high return on equity, and has an earnings forecast that is solidly double digit.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CIX (CI Financial)
2. TSX:EMA (Emera Incorporated)
3. TSX:ITP (Intertape Polymer Group)

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