This Is the Best-Valued Canadian Dividend Aristocrat: 30% Upside!

Description

One of my favourite starting points for new income investments is the list of Canadian Dividend Aristocrats. These are Canadian-listed companies that have dividend-growth streaks of five or more consecutive years.

Those that have shown a commitment to growing their dividends are more likely to maintain them when times are tough. The dividend-growth strategy has been a popular one over the past number of years. As a result, stock prices have risen to all-time highs.

The problem for value investors is that it's tough finding value in such a frothy market. That being said, there are always value opportunities if you look hard enough. One stock that immediately jumps out is **Canadian General Investments** (TSX:CGI).

Performance

Canadian General is a closed-end investment fund that is focused on medium- to long-term investments. It primarily invests in Canadian equities and its objective is to provide better-than-average returns. The company's top three Canadian holdings include **Shopify**, **Air Canada**, and **Canopy Growth**.

How has it fared? Its stock price has delivered in a big way. Year to date (YTD), the stock is up a healthy 8.25% and its one-year return is 19.21%. In comparison, the TSX Composite index is in the red YTD, and it only has a 4.45% return over the past year.

Canadian General has similarly outperformed the TSX over the past two-, three-, and five-year time frames. Despite this outperformance, the company remains undervalued.

Valuation

Over the past 12 months, Canadian General has earned $7.59 per share. Why is this relevant? The company is trading at $25.75 per share, or a very cheap 3.4 times earnings. This is near the bottom of its five-year average.

Historically, the company has traded very close to its net asset value (NAV). Today, General Investments is trading at a significant discount to its NAV of $37.16. Once the company returns to trade in line with historical averages, investors can be looking at a 30% gain.

The company's Graham number, the uppermost price an investor should pay for a stock, is $78.15. This 68% gap is by far the widest among Canadian Dividend Aristocrats.

One thing is clear: Canadian General is cheap.

Rare triple threat

It's not often you come across a company that qualifies as a growth, income, and value stock. Canadian General checks all three boxes. Over the past five years, the company has raised its dividends by 15% on average. Its payout ratio is a mere 10%, so income investors can be assured of continued dividend growth.

Canadian General has a long and storied history having been established in 1930. Over the past 50 years the company has consistently outperformed the TSX. Its rare to see such established streaks of outperformance.

Don't get caught watching. It's only a matter of time before the market realizes the significant discount at which Canadian General is trading. In the meantime, there is limited downside given current valuations.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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2. TSX:AC (Air Canada)
3. TSX:CGI (Canadian General Investments, Limited)
4. TSX:SHOP (Shopify Inc.)
5. TSX:WEED (Canopy Growth)

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