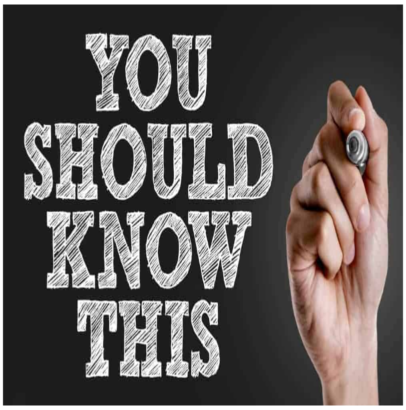

2 Unsustainably Undervalued Dividend Stocks on the TSX

Description

The stock market appears to be broken. Many stocks have broken down, but the businesses behind these stocks aren't nearly in as bad of shape. It's business as usual for many Canadian companies that continue to operate at a high level, pulling the appropriate growth levers to win over investors who've been running to the hills recently.

The Fed, China, an inverting yield curve, and Tariff man (Donald Trump) has investors furiously hitting the panic button. As Foolish investors, we know that our time is better spent analyzing individual stocks that will allow us to take advantage of what appears to be a temporary bout of market inefficiency due to the escalating fears that have many attempting to time their exit from the market before a catastrophic implosion that may never happen.

So, if you're not interested in timing the market and would rather pick up the severely oversold merchandise that's in the TSX bargain bin, consider the following two dividend-paying names:

Great-West Lifeco (TSX:GWO)

Now 25% off from its all-time high, Great-West Lifeco, a life insurance-centred financial holding company, sports a bountiful 5.61% dividend yield, which is substantially higher than the stock's five-year historical average yield of 3.9%.

The stock currently trades at a 8.6 forward P/E, a 1.3 P/B, and a 0.6 P/S, all of which are substantially lower than the company's five-year historical average multiples of 13.6, 1.9, and 0.9, respectively. The 3.8 P/CF is also substantially lower than the company's three-year historical average P/CF of 6.2.

That's a very steep discount on a company that's been a Steady Eddie free-cash-flow-generative stalwart that's averaged 9.35% in annualized top-line growth over the last five years. If you don't mind a bit of near-term turmoil, GWO is a deep-value play that will enrich you with consistent dividend payments through thick and thin.

Industrial Alliance (TSX:IAG)

IA is another severely battered Canadian insurance stock that sports a single-digit forward P/E multiple. At the time of writing, the stock is down 29% from its high, and although the company's wealth management business has shown some promise, the stock is priced as if it's expecting a few years of negative earnings growth, which doesn't appear to be the case.

At the time of writing, the stock trades at a 7.4 forward P/E, a 0.9 P/B, and a 0.4 P/S, all of which are substantially lower than the company's five-year historical average multiples of 11.6, 1.3, and 0.6, respectively.

No, that's not a typo, IA is priced below its book value, and with a ridiculously low single-digit trailing and forward P/E, investors can expect a relatively wide margin of safety to go with a now swollen 3.8% dividend yield, a full 1.4% higher than where it usually is.

Foolish takeaway

If deep-value is what you seek, both Great-West and IA are hard to pass up with their enhanced yields, single-digit P/E multiples, and fairly steady cash flow streams. I think both names are unsustainably undervalued, so I believe it's tough to lose big money over the long-term with either name at today's levels.

If I had to pick one today, I'd go with IA as management is committed to lowering its sensitivity to the interest rate cycle, and the stock is trading at a colossal discount to book.

Stay hungry. Stay Foolish.

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2. Investing

TICKERS GLOBAL

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2. TSX:IAG (iA Financial Corporation Inc.)

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