3 Grossly Undervalued Dividend Stocks to Buy Now

Description

The flipside to this market action that has us feeling battered and bruised is the multitude of opportunities presented to us in the form of grossly undervalued stock prices.

Here are three undervalued stocks to buy now. Opportunities to add quality dividend stocks that are trading at grossly undervalued prices, and that have solid fundamentals on their side and strong capital gains potential.

Industrial Alliance Insurance and Financial Services Inc. (TSX:IAG)

With a 3.88% dividend yield, and a valuation that is in the lower end of its historical averages, Industrial Alliance stand to benefit from its three recent U.S. acquisitions that were made in 2018.

The stock is down 28% since the beginning of this year, as the company issued 2.5 million shares (2% of common shares outstanding) at $54.10 per share, and has been hit with the market in general. The stock currently trades at around $42.

With a cash flow profile that continues to be strong, upside from the company's wealth division and recent acquisitions acting as catalysts moving forward, Industrial Alliance has much to gain in the coming year.

And this despite the unfortunate announcement that the company's interest rate sensitivity will be eliminated by 2020, as management has made this their goal in order to smooth out results over the interest rate cycles, the company remains strong.

Earnings per share was $4.88 in 2017, and is expected to be 13% higher in 2018, among the highest of the peer group. Testament to management's optimism about the business, the dividend has been increased numerous times in the last few years and has grown at a compound annual growth rate of over 11%.

The latest increase was a 9% increase in the last quarter.

Mullen Group Ltd. (TSX:MTL)

Next is Mullen Group, a solid, top tier oil and gas stock that's reeling from the very difficult conditions in the energy space.

While Mullen is exposed to the Western Canadian energy space, the company offers diversification through its two business segments, oilfield services and transportation and logistics.

With a top-notch balance sheet, and top tier management, the company is well positioned to capitalize on these difficult times by scooping up competitors who are going under in this environment. By acting on attractive acquisition opportunities, there exists much upside in the stock in the long term as the industry stabilizes.

Peyto Exploration and Development Corp. (TSX:PEY)

Peyto has been struggling with persistently low natural gas prices; in response, management is focusing more on natural gas liquids (ngls) and has been able to lock in 20% of its production to get U.S. pricing, which will boost next year's cash flow.

The stock has plummeted 77% since January 2017.

Peyto stock has a dividend yield of 10%, and although the market is pricing in a dividend cut, it still appears easily covered by cash flows. And should a cut happen, it's already priced into the stock.

Final thoughts

Keeping a long-term view of the market, investors can snatch up some grossly undervalued stocks to come out on top in a few years of dividend income and capital gains.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:IAG (iA Financial Corporation Inc.)
2. TSX:MTL (Mullen Group Ltd.)
3. TSX:PEY (Peyto Exploration & Development Corp)

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