
2 Undervalued Stocks With High Dividend Yields to Buy Now

**Description**

The year has gotten off to a decent start. The TSX Index is in the green thus far in 2019 — a nice change from the sea of red from the past quarter. In the first 60 days of the year, it is the opportune time to look at undervalued stocks with high dividend yields to top up your RRSPs.



My preference is to start with the list of Canadian Dividend Aristocrats. These are companies that have raised dividends for at least five consecutive years. They have shown a commitment to maintaining and growing their dividends. The following two stocks are looking very attractive at current trading levels.

## CIBC (TSX:CM)(NYSE:CM) stock

CIBC suffered through one of its worst years on record and was the worst-performing Big Five bank of 2018. That alone is reason enough to buy the stock. If that simple strategy isn't enough for you, consider that CIBC's stock is also one of the cheapest of the Big Five banks.

The bank's stock is currently yielding 5.39%, almost a percentage higher than its closest peer. It has a reasonable payout ratio, and there are no concerns about the safety of its dividend. It hasn't missed a dividend payment since its first dividend payment in 1868.

Trading at a price-to-earnings multiple of 8.4, CIBC hasn't been this cheap since the financial crisis. It is also well below its historical average of 11.3 times earnings. Another quick and easy strategy: Canada's big banks always revert back to the mean. This would imply a share price of $98.99 and 28.8% upside from today's price of $76.85 per share.

Not convinced yet? No worries; I'm not done. CIBC is also trading at a 36% discount to its Graham number of $104.76. The Graham number is a measure of intrinsic value created to take into account the rules put forth by the father of value investing, Benjamin Graham. It is the max someone should pay for a stock.

# Enbridge (TSX:ENB)(NYSE:ENB) stock

Enbridge shareholders are happy to put 2018 behind them. The company lost almost 20% of its value last year and has struggled for the better part of the past few years. The company, however, closed out 2018 on a high note. It completed the acquisitions of its sponsored vehicles in mid-December. This will allow the company to execute its strategic plan to simplify its structure and reduce costs.

The re-structure is expected to support dividend growth of 10% through 2020. True to its word, the company raised dividends by 10% at its annual general meeting in early December. The company is now yielding a hefty 7.29%, which has put into question the safety of its dividend. Fret not — the dividend is well covered by discounted cash flows. Cash flows are expected to reach $4.30-4.60 per share in 2019 and grow at rates between 5% and 7% post-2020.

The company is now taking a more disciplined approach to growth after years of swinging for the fences. This will benefit shareholders, as the company's cash flows are plentiful to cover dividends, capital expenditures, and debt repayment. Enbridge is also better insulated from the volatile nature of the industry, as 98% of its earnings are underpinned by regulated, take-or-pay, or fixed-fee long-term contracts.



**CATEGORY**

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

**TICKERS GLOBAL**

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:CM (Canadian Imperial Bank of Commerce)
4. TSX:ENB (Enbridge Inc.)

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mlitalien