2 Undervalued Stocks at 52-Week Highs

Description

It seems like an oxymoron to say that there are undervalued stocks trading at 52-week highs. Undervalued stocks are those that continue to trade below their fair value. That's based on fundamentals, such as price-to-earnings ratio (P/E), market capitalization, and future outlook.

I'm going to take a look at two stocks that I would consider undervalued stocks at the moment. Despite each trading at 52-week highs, these are ones due for more growth. And bonus: each has a dividend to provide even more income in the years to come.

TD stock

Toronto-Dominion Bank (TSX:TD)(NYSE:TD) is a prime choice for those looking for undervalued stocks. The Big Six bank came out of the economic downturn as it has before. Within a year's time, it's now trading not just at pre-pandemic prices, but at 52-week highs.

Shares of the stock fell by 34% from peak to trough during the market crash in 2020. Since the crash, shares have soared by 89% to where it trades today. Shares of TD stock are now at $88, well above where they were before the pandemic. Yet analysts believe this is only the beginning.

TD stock didn't lose a lot of cash thanks to provisions for loan losses during the pandemic. With interest rates now set at a whopping 3.6%, banks should continue to see major growth with the economy rebounding as well. But the company isn't just counting on this for growth.

TD stock recently reported revenue growth of 144% year over year and is using that cash to reinvest in its online business, among other things. The world shifted online during the pandemic, and TD stock recognizes this is where it needs to put its efforts rather than branch locations throughout the United States.

But even with all this growth and strong future ahead, with share prices in the sky, TD stock is still a deal. It offers a P/E of 11.33 — well within value range. Its dividend yield sits at 3.6%, which has risen by a compound annual growth rate (CAGR) of 9.8% in the last decade. And its shares have grown by a

CAGR of 12.56% during that time. So, this is definitely one of the undervalued stocks to hold onto.

Fortis

Another industry that remained relatively stable during the market crash and has since rebounded is the utility sector. Utilities is one of the most stable sectors you can buy, and it's full of undervalued stocks at the moment. But the top undervalued stock trading at 52-week highs has to be **Fortis** (TSX:FTS)(NYSE:FTS).

While the stock did fall during the March 2020 market crash, it was quick to rebound within a month or two, whereas others took much longer. That's because of its stable revenue. Most recently, the company reported net earnings of $355 million — an increase of 13.7% year over year. The company is on track for further capital expenditures, already spending $0.9 billion in the first quarter, with $3.8 billion for later this year.

It's this strategy of growth through acquisition that has led to the company being able to increase its dividend every year for the last 49 years. In the next year, Fortis stock will be the first on the **TSX** to become a Dividend King, providing 50 years of dividend increases. So, if you want stable income from undervalued stocks, you get it with Fortis.

Yet this stock currently sports a solid 21.2 P/E ratio, with a book value trading at 1.6 and price to sales trading at 2.9. So, this is one of the undervalued stocks anyone would want. Meanwhile, its dividend yield of 3.55% has risen by a CAGR of 5.63% in the last decade, with shares rising 9.9% during that time. Despite shares trading at all-time highs, this is a stock you can buy and forget about while still collecting solid income.

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