3 Cheap Stocks With Earnings Yield Above 10%

Description

An earnings yield (the ratio of net income per share to stock price) above 10% is excellent, particularly in this environment. A company generating that much profit can withstand the pressures of inflation. Investors seeking a safe harbour during this bear market should consider these undervalued stocks.

Here are the top three stocks with earnings yields of 10% or more.

Manulife

Insurance giant **Manulife** (TSX:MFC)(NYSE:MFC) is trading at a price-to-earnings ratio of five. That implies an earnings yield of 20%.

A hefty portion of these annual earnings is handed back to shareholders. The stock offers a generous 5.6% dividend yield. However, the rest is held by the company to reinvest in expansion.

Asia is the focus of much of the company's expansion plan. The penetration of financial products and insurance services in Asia is low. That means there's plenty of room for the company to grow. Management expects its operations in Asia to contribute 50% of earnings by 2025. If they meet that target, long-term investors could be in for a windfall.

Keep an eye on this emerging market opportunity.

Alaris Equity Partners

Investment firm **Alaris Equity Partners** (TSX:AD.UN) is worth a mention too. The stock trades at a price-to-earnings (P/E) ratio of just 5.7, which implies an earnings yield of 17.5%. If the company can sustain this yield, it could turn $10,000 into $20,000 in four years.

The Alaris team is focused on keeping this yield high. They invest in small- and mid-sized private companies through preferred stock options. The target return for the firm is between 13% to 15%. The fact that the earnings yield is above this target is probably a good signal.

Alaris is also generous with its shareholder rewards. Investors can expect a 7.6% dividend yield, which is far higher than the market average. These factors make Alaris an ideal target for investors seeking an undervalued bet in 2022.

RioCan

RioCan Real Estate Investment Trust (TSX:REI.UN) is probably the safest stock on this list. As one of the largest corporate landlords in the country, tangible assets anchor RioCan's book value. The company's commercial properties are rebounding from the lockdowns of recent years.

RioCan trades at 9.9 times earnings per share. That means the earnings yield is just slightly above 10% right now. Half of that is delivered back to shareholders in the form of dividends. The dividend yield is 5%.

In 2022, I expect RioCan's earnings and dividend yield to improve. Rents are already rising across the country. Meanwhile, the company is about to complete its development pipeline of new residential and commercial properties soon. That should add more juice to the company's bottom line.

For investors seeking a safe way to make passive income with limited downside risk, RioCan is an excellent opportunity.

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2. TSX:AD.UN (Alaris Equity Partners Income Trust)
3. TSX:MFC (Manulife Financial Corporation)
4. TSX:REI.UN (RioCan Real Estate Investment Trust)

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