These 2 Cheap Stocks Offer 14.5% Earnings Yields

Description

The dividend yield is a popular metric for investors. However, the *earnings yield* is often overlooked. This metric is the inverse of the price-to-earnings ratio and offers investors a clue about the company's earning power.

A higher earnings yield with a lower dividend yield means the company has more room to reinvest for growth or boost dividends in the future. That's what makes these stocks attractive.

With that in mind, here are two relatively cheap stocks that offer earnings yields as high as 10%.

Power Corp

Despite its size and influence, **Power Corporation of Canada** (TSX:POW) tends to fly under the radar of most investors. The stock is deeply underrated and undervalued.

Power Corp is a financial services conglomerate. The company owns a stake in insurance giant **Great-West Lifeco**. And its subsidiaries include **IGM Financial** in Canada and Putnam Investments in America. One of its subsidiaries, Sagard, also has exposure to upcoming FinTech challengers such as Wealthsimple.

The company generates substantial free cash flow from this diverse portfolio of brands. It generated $2.6 billion in free cash flow in its most recent quarter. Meanwhile, earnings per share was $3.45 over the past 12 months. That implies an earnings yield of 14.5%. Only a portion of that is paid out in dividends, which is why the current dividend yield is just 5.6%.

The earnings and dividend yield have soared, as Power Corp's stock price dropped. The stock is down 15% year to date and roughly 19% lower than its all-time high from last year. If it rebounds along with the rest of the market, investors could be in for a sizable windfall.

Investors looking for an undervalued dividend stock should add this to their list.

Intact Financial

Intact Financial (TSX:IFC) is another undervalued financial services stock.

As the broader stock market remains under pressure, with the TSX going down 12%, Intact's valuation is up by more than 10%. Its stellar performance stems from the fact that it is one of the best insurers in the country. In addition, a move by the Bank of Canada to hike interest rates has only strengthened its prospects.

While the company offers an array of insurance products, its core property and casualty insurance products are proving to be safe havens amid the turmoil in the market. The two products are resilient to recession as compared to life insurance products that other insurers rely on

Intact Financial has defied gravity and continued to rise, as other stocks remain under pressure. Over the past 10 years, it has generated significant shareholder value, delivering more than 12% in annualized returns.

The stock also yields a solid 2.19% dividend yield, which is deceptively low. The earnings yield is much higher at 7.5%. The earnings yield was approaching 10% just two months ago when the stock price was much lower.

Nevertheless, Intact Financial is an excellent target for investors seeking a conservative value stock in 2022. Keep an eye on it.

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