



2 Out-of-Favour Dividend Picks for Contrarian Investors

Description

Broad-based weakness in the Canadian market is serving up some tantalizing picks these days, and investors with a contrarian edge can find interesting value plays with attractive dividends to boot.

Here are the reasons why I think **SNC-Lavalin Group Inc.** (TSX:SNC) and **Shaw Communications Inc.** ([TSX:SJR.B](#))([NYSE:SJR](#)) are worth a look right now.

SNC-Lavalin

SNC-Lavalin is one of the world's leading engineering and construction groups, but the company has run into some difficult times over the past few years, and most of the pain is attributable to fraud and corruption problems.

In 2013 the World Bank slapped SNC-Lavalin with a 10-year ban for breaking the rules when it secured a contract in Bangladesh.

The company has also been in hot water over deals done in Libya.

SNC-Lavalin cleaned out all the staff connected to the Libyan contracts and thought the issue was buried, but the RCMP brought the skeletons out of the closet again earlier this year when it charged SNC-Lavalin with fraud. SNC-Lavalin is disputing the case, but a loss could result in a contract ban here in Canada.

The contrarian play lies in the recent string of big wins in Canada that suggest the end result of the RCMP troubles could be less than the worst-case scenario.

In the months that have followed the RCMP announcement, SNC has been chosen to build the new Champlain Bridge in Montreal, manage a unit of Atomic Energy Canada Limited, and construct a major transit extension in Toronto. Pundits are looking at the deals and thinking the company is simply too important to ban.

SNC-Lavalin just reported solid Q3 2015 earnings and a record revenue backlog of \$12.7 billion.

The company pays a quarterly dividend of \$0.25 per share that yields about 2.4%. SNC-Lavalin has increased the payout every year for the past decade.

Shaw

Shaw has been under pressure as the market worries about falling cable subscriptions, upcoming pick-and-pay changes in the Canadian TV industry, and the fact that Shaw doesn't have a mobile business.

Shaw is losing customers to its competitors, but the migration is not extensive and the company can make it up by simply increasing fees on the remaining accounts.

In 2016 Canadians will be able to sign up for a basic TV service and then customize their own packages with the channel they want to watch. This is going to have an impact on the content owners who have relied on forced bundles to cover costs and boost advertising revenues. Shaw owns a number of the country's top specialty programs as well as the Global TV network. While some content will certainly see less demand, I suspect Shaw's strong portfolio will be fine.

Shaw decided not to spend billions to enter the mobile phone market. Instead, the company has bet big on data centres through its 2014 acquisition of ViaWest, which offers colocation, cloud, and managed services to corporate clients. So far, the move is working out well.

Shaw recently announced solid fiscal Q4 2015 net income of \$276 million or \$0.57 per share, up from \$0.40 per share in the same period last year.

The company pays an annualized dividend of \$1.185 per share that yields 4.3%.

CATEGORY

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TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. TSX:ATRL (SNC-Lavalin Group)
3. TSX:SJR.B (Shaw Communications)

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Author

aswalker

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