2 Big-Yield Stocks With Strong Upside Potential

Description

Contrarian investors are always on the lookout for unloved stocks that offer a shot at some big gains. If they can pick up a nice dividend along the way, it's a bonus.

Here are the reasons why I think **Corus Entertainment Inc.** (TSX:CJR.B) and **Potash Corporation of Saskatchewan Inc.** (TSX:POT)(NYSE:POT) are worth considering right now.

Corus

Corus has fallen over the past 12 months as investors worry the company will be hammered by the new pick-and-pay rules for Canadian TV subscriptions.

Corus is vulnerable because it owns or has the rights to distribute content to Canadian TV audiences, but it is not a service provider. This means it has to negotiate with the telecom and cable companies to get its shows and specialty channels included in subscriber offerings.

Until recently, the concerns were probably valid as most of the company's content was targeted at kids, but Corus recently agreed to buy Shaw Media from **Shaw Communications,** and that changes the game completely.

By adding the new assets, Corus will control about a third of the English Canadian TV market, which should give it the size and scale it needs to compete with the big boys in the industry.

Some risks still remain. The radio assets are struggling to grow advertising revenue, and the new pick-and-pay system is still in its first month of existence, so the impacts on demand for the Corus portfolio will not be known for some time.

However, based on last year's combined revenue stream for Corus and the Shaw Media assets, free cash flow should be adequate to cover the company's dividend, which currently offers a fat 10% yield.

If the worries about revenues turn out to be overblown, investors could see a meaningful recovery inthe stock and pocket a nice dividend yield along the way.

Potash

The global fertilizer market is pretty ugly right now, and that’s why Potash’s earnings are taking a beating. The company posted Q4 2015 earnings of US$0.24 per share, down significantly from US$0.49 in Q4 2014. Guidance for 2016 has been set at US$0.90-1.20 per share, so things aren’t expected to turn around anytime soon.

As a result, the company recently slashed the quarterly dividend by 34% to $0.25 per share. That puts the new payout ratio at a risky 100% of estimated earnings.

Analysts are split on whether or not the new payout will survive. If fertilizer prices fall another 25% this year, the dividend could be at risk again.

Where’s the good news?

The big picture for the fertilizer market is an attractive one. About seven billion humans currently inhabit the planet. That number could rise above 10 billion by 2050.

Demand for meat is increasing, and we have less land available each year to grow crops to feed the extra people as well as the animals we want to eat. Therefore, farmers have to use increasing amounts of fertilizer to boost crop yields, and that should be positive for fertilizer companies.

Potash prices are in a slump, but global demand is near record highs, and the market is still controlled by a handful of large producers. At some point, the current battle for market share will subside and prices will improve.

Potash’s stock has fallen so much that there could be an opportunity for some big long-term gains, and new investors can pick up a nice 5.75% yield while they wait for better days.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CJR.B (Corus Entertainment Inc.)

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