

2 Oversold Dividend Stocks for Contrarian Investors

Description

Contrarian investors like to wade through the market's bargain bin.

Let's take a look at **Corus Entertainment Inc.** ([TSX:CJR.B](#)) and **Potash Corporation of Saskatchewan Inc.** (TSX:POT)(NYSE:POT) to see if they belong in your portfolio.

Corus

Corus took a beating in 2015 as investors ran for the exits in anticipation of the new rules for Canadian TV subscriptions.

What's the scoop?

The company has traditionally been an owner of radio stations and a producer of specialty TV content targeted at children. Radio revenues are under pressure as advertisers scale back spending, and the 2016 move to pick-and-pay TV packages had investors scared that Corus might be left out in the cold under the new system.

In the company's previous form, the concerns were quite valid, which is why the stock fell from \$25 per share to \$9 per share in January this year.

But a game-changing deal has altered the situation completely, and investors still haven't clued in that the future might actually be bright for this company.

Corus recently closed a \$2.65 billion deal to buy Shaw Media from **Shaw Communications**. The purchase adds all of Shaw's popular specialty channels, such as HGTV and Food Network Canada, as well as the Global TV network and several radio stations.

As a result, Corus now controls about a third of Canada's English TV market and has the scale and diversity of content to compete with the larger players.

The company is committed to maintaining its dividend and the free cash flow generated by Shaw Media and Corus in 2015 suggests that should be possible.

Bargain hunters have pushed the stock back above \$12.50 per share, but investors who buy today still pick up a 9% yield with a shot at further upside in the share price.

Potash Corp.

Potash Corp. has fallen about 50% over the past 12 months as a result of a meltdown in the global fertilizer market.

What's going on?

Intense competition from major suppliers is a large reason for the rout, but demand is also down in major markets like India, the U.S., and Brazil. India is experiencing severe drought conditions, U.S. farmers are suffering from low crop prices, and Brazil is being hammered by volatile currency moves.

When you package it all together, you get a pretty bleak picture, and that's why Potash Corp. is under pressure.

Why should you buy?

The short-term outlook remains ugly, but the best investing opportunities often arise during troubled times. Long-term fundamentals for the fertilizer industry are solid and Potash Corp. is well positioned to benefit when the market recovers.

The company is taking the required steps to ride out the slump. High-cost facilities have been closed and production is being reduced. The company also cut the dividend this year. The current payout offers a yield of 6.4%, but there is a chance it could be trimmed again, so investors should consider it a bonus when buying the stock.

Nonetheless, Potash Corp. looks like a classic contrarian pick at the current price.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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