



No Dividends? No Problem! 3 Stocks to Own Despite No Yield

Description

Many investors refuse to own a stock that doesn't pay them a little something in exchange for owning it.

These folks have a legitimate point. Getting consistent cash flow from an investment is how one starts to create their own compounding machine. Being forced to deliver profits directly to shareholders can keep a management team focused on who they're really working for. And companies that pay dividends aren't (usually) frauds, which is always a good thing to avoid.

But at the same time, I'm not sure it's the right strategy. A company not paying dividends has extra cash it can deploy towards growth—a move that could pay off very handsomely for shareholders in the future. It's also more tax efficient for shareholders this way, since they have to pay taxes each year on dividends held outside of tax-deferred accounts.

Here are three non-dividend payers investors should be checking out.

Great Canadian Gaming

There is a lot to like about the casino business.

Not only is it quite profitable, but governments make sure there isn't too much supply out there. There aren't many industries that come with that kind of built-in competitive advantage.

Ownership of casinos in Canada is somewhat fragmented. The largest operator is **Great Canadian Gaming Corp.** (TSX:GC) and its 21 different gaming and hospitality locations. Most casinos are located in British Columbia, but the company also has locations in Nova Scotia, New Brunswick, and Washington State.

It just released second-quarter results that were stellar. Revenues were up 25% compared with the same period last year. EBITDA was up 18%. And the company continued to reward shareholders in by buying back 7.8% of existing shares.

Great Canadian Gaming is also expanding into Ontario, opening its new casino in Belleville by the end

of 2016. Not only has Great Canadian Gaming become the go-to company for opening new facilities in Canada, but it also has the financial ability to acquire existing facilities should they come up for sale.

BlackBerry

After years of struggling with hardware, **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY) looks to be heading in the right direction with its new focus on software.

Although the company isn't quite profitable yet, it has recently posted positive free cash flow. It also continues to use its nice cash hoard to make further acquisitions in the software space, which should translate into profits down the road.

It's only a matter of time until the company gets completely out of hardware, and in the meantime it's dedicating fewer and fewer resources to the ill-fated division. These moves should pay off nicely in the future.

Yellow Media

The old Yellow Pages is doing a nice job reinventing itself in a digital world.

Rebranded as **Yellow Media Ltd.** ([TSX:Y](#)), the company has its fingers in all sorts of different areas of the digital market, including owning websites such as Canada411, RedFlagDeals, and, of course, YellowPages.ca.

The company has stemmed the customer loss it was experiencing from the decline of its print products, successfully signing up many of those businesses for digital advertising offerings. Stable earnings will enable the company to pay back its debt sometime in the next few years as well, which should further boost the bottom line.

Yellow Media is also cheap on a number of different metrics. It trades at a significant discount to its \$25.68 book value. Its price-to-sales ratio is significantly under 1 as well. And it only trades at just 12 times trailing earnings, with a forward P/E ratio of just eight.

Conclusion

Each of these companies have a good reason for not paying dividends. Great Canadian Gaming is spending its cash on buybacks instead. BlackBerry wants to keep money aside for acquisitions. And Yellow Media is aggressively paying down its debt.

If investors only focus on companies that pay dividends, they miss out on solid companies like these with nice potential going forward.

CATEGORY

1. Investing
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1. NYSE:BB (BlackBerry)

2. TSX:BB (BlackBerry)
3. TSX:Y (Yellow Pages Limited)

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