These 2 Income Stocks Look Absolutely Attractive Today

Description

Investors should seriously consider **Cineplex Inc.** (TSX:CGX) and **Altagas Ltd.** (TSX:ALA), as they offer juicy income and strong price appreciation potential.

Cineplex

Cineplex stock has traded at an expensive valuation for a long time. Now is an opportunity to buy it when it's out of favour. The stock has declined about 37% from its 52-week high.

What caused the sell-off is the below-average results the company has experienced lately. In the last reported quarter, Cineplex had a return on assets (ROA) of just less than 1% and a return on equity (ROE) of 2.4%, while its five-year average ROA and ROE were about 6.5% and 13.2%, respectively.

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Cineplex has about 77% of the box office market share in Canada. The company's box office revenue has grown in the long run at a pace which is roughly in line with inflation.

The problem is that Cineplex can't control the movies it shows. As a result, attendance has declined. In the most recent reported quarter, the attendance fell 6.7% compared to the same quarter in the previous year.

Cineplex has been investing in recreation rooms, branded The Rec Room, which should lead to higher growth in the business. Currently, it has four locations and plans to open a total of 10-15. Two are expected to complete in Ontario this year. The Rec Room is where family and friends can get together, play games, have fun, and enjoy good food.

At ~$34.40 per share, Cineplex trades at a forward multiple of ~23.7, while its long-term normal multiple is 27.4. Cineplex pays a monthly dividend, and it currently offers a juicy yield of nearly 4.9%. With the investments that Cineplex has been making, the stock could be a nice growth story for the next few years.

The analyst consensus from **Thomson Reuters** has a 12-month mean price target of $43.70 per share on the stock, which represents upside potential of ~27%, or a total return of nearly 32%.

Altagas

Altagas's diversified portfolio of utility, midstream, and power assets allows the company to generate stable cash flow to support its dividend. The company is in the midst of acquiring **WGL Holdings** (NYSE:WGL); the increased uncertainty continues to drag on the shares. That's precisely why the stock now offers a hard-to-beat yield of nearly 7.6%.

The analyst consensus from Reuters has a 12-month mean price target of $32.60 per share on the stock, which represents upside potential of ~13%, or a total return of ~20%.

Investor takeaway

You can get above-average income and total returns from investing in Cineplex and Altagas today. Investors should consider them as medium- to long-term investments of at least three to five years. Both stocks would work well as investments in a non-registered account, TFSA, or RRSP.

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kayng