2 Extremely Attractive Dividend Yields, But Which 1 Is Safe?

Description

Income investors in search of higher returns may be tempted by some very attractive dividend yields.

But before you buy such a stock, you should be aware that this approach is very risky. Stocks that support higher yields may not be safe in the long run. In many cases, the companies offering attractive yields soon announce they're slashing their payouts.

Despite these dangers, there are some companies that continue to pay higher dividends, and over time their stock values recover, reaching their true value.

But in this area, you have to look for solid companies that regularly generate enough cash to reward their investors. Here are two Canadian stocks that currently offer extremely attractive dividend yields. Let's find out which investment is safe.

Corus Entertainment

Corus Entertainment Inc. (TSX:CJR.B) stock offers one of the highest dividend yields among Canadian companies. But the biggest question is whether or not this 12% yield is safe at a time when the company's sales are falling.

Investors sent Corus stock tumbling 20% in the past five days after the entertainment company said its TV revenue didn't meet its own and analysts' expectations for the fourth quarter. TV advertising dropped 4%, while subscription fees remained flat.

Toronto-based Corus operates a network of Canadian radio stations and children's TV channels, including YTV, Nickelodeon, and Cartoon Network. The shift to digital media and over-the-top players, such as **Netflix**, is badly hurting the company's ad revenues and putting in danger its dividend payout.

The company pays a monthly dividend of $0.095 a share, which is trading at $9.05 at the time of writing. Its stock has lost about third of its value during the past one year.

The recent financial results show that Corus has yet to figure out how to increase its sales when Canadians are cutting their cable connections.

Altagas

Altagas Ltd. (TSX:ALA), a Calgary-based power and gas utility, is facing a different challenge, as it becomes very attractive target for investors seeking higher returns.

With a 7.37% annual dividend yield, Altagas pays a $0.1825-a-share monthly distribution, which comes to $2.19 a share yearly.

Altagas has a significant milestone to achieve in 2018 when it plans to conclude its $8.4 billion deal to buy U.S.-based **WGL Holdings, Inc.** (NYSE:WGL). Some investors think this undertaking is huge for a company whose total assets are worth about $10 billion. There are some regulatory approvals Altagas has to secure from the U.S. authorities before completing the transaction.

These uncertainties have kept Altagas share under pressure in 2017, sending its stocks down 15% in the past 12 months to $29 at the time of writing.

Which dividend is safe?

I think Altagas is a safer bet for investors who are on the hunt for higher yield. There is no threat to its regulated business, which sells natural gas and power to consumers in North America. The company is in a growth mode, and it’s likely to overcome its WGL-related challenges in 2018, as energy markets recover, and the value of energy assets improve.

Corus, however, is in a business which is under pressure by disrupting technologies. The company has massive competition that might too big to overcome. I’ll stay away from this stock, despite its highly attractive yield.

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