2 High-Yielding Dividend Stocks, But Which 1 Would I Buy Today?

Description

Investing in high-dividend-yielding stocks has a great appeal for many income investors. But this strategy is rife with risks.

Generally speaking, when you see a dividend yield that is much higher than the average market return, you should ask these simple questions: Why are investors discounting the stock? What are the risks that business is facing?

A high dividend yield itself tells you nothing about a company, unless it comes with solid business fundamentals, strong cash flows, and the company's ability to survive in a tough competitive environment.

Here are two Canadian stocks that currently offer extremely attractive dividend yields. Let's find out which stock is safe.

Corus Entertainment

Toronto-based **Corus Entertainment Inc.** (TSX:CJR.B) 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,** has been hurting the company's ad revenues and raising questions about the sustainability of its dividend payout.

The company pays a monthly dividend of $0.095 a share, which translates into an annual dividend yield of 16.2%. Trading at $7.03 at the time of writing, Corus stock has lost about 40% of its value this year. This massive plunge shows investors are not convinced about the company's future, and they see a dividend cut down the road.

The recent financial results show that Corus has yet to figure out how to increase its sales when Canadians are cutting their cable connections and switching to Netflix and other video streaming options.

Corus's stock rebounded 20% last week after its results beat Bay Street's expectations, but even with that jump, the stock is well below the $11-13 range it's generally traded at since it bought Shaw Media assets three years ago.

Following the transaction, Corus debt ballooned, and the company was unable to cut it to a level that analysts expected, increasing the pressure on management to divert its shrinking cash flows to pay down the debt.

Inter Pipeline Ltd.

Inter Pipeline Ltd. (TSX:IPL) is a Calgary-based energy infrastructure company operating four business segments in western Canada and Europe. Its pipeline systems span over 7,800 kilometres in length and transport approximately 1.4 million barrels per day.

Mainly hurt by Canada's capacity constraints to ship energy products overseas, IPL's share price has lost 11% this year, extending its 17% losses during the past 12 months. Amid this pullback, the stock now yields a highly attractive 7.37%. But the risks associated with IPL are very different than what we're facing in the case of Corus.

The company is on a solid growth trajectory with a pipeline of new projects, including its planned $3.5 billion petrochemical venture, which will convert propane into polypropylene, a plastic used in the manufacturing of products such as automobile parts, containers, and Canadian bank notes. For this project, IPL will receive up to $200 million in royalty credits from the Alberta.

IPL has a solid history of rewarding its investors. In November, the company hiked its payout by 3.7% to $1.68 per share annually, marking its 15th consecutive dividend increase.

Which dividend is safe?

If you have the risk tolerance for investing in high-yielding stocks, then IPL is the one to go for. I think the company is a good diversification play in Canada's energy space. Long-term investors will be in a good position to get rewarded as its stock recovers over time. Corus, however, is a falling knife you shouldn't catch.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/26
Date Created

2018/04/12
Author
hanwar