2 Damaged Dividend Stocks for TFSA Income Investors to Buy and Hold Forever

Description

Many battered Canadian stocks are in the doghouse right now. While most dividend dogs may seem like great value plays, many beginner investors could stand to be bitten if they don't ensure proper due diligence before backing up the truck on shares.

Just because a stock is cheap doesn't mean it's undervalued. If you load up on cheap "cigar-butt" stocks without doing the proper homework, you could be in for a dividend cut to go with substantial capital losses. So, make sure you understand why a specific stock is cheap and why you think Mr. Market has wrongfully placed it in the bargain bin.

Here are five beaten-up dividend stocks that appear to be unfairly battered and may present investors with substantial long-term upside relative to the risks taken on.

Enbridge Inc. (TSX:ENB)(NYSE:ENB)

The pipeline play has been overly punished over the last few years and remains dirt cheap, even after the recent relief rally sparked by Minnesota's green light for the company's Line 3 replacement program.

Moving forward, there are many other regulatory hurdles that the company will need to navigate, but given the discount on shares at these levels, I think the many roadblocks may already be priced in to shares at these levels. Increased environmental regulations will likely be a thorn in the side of Enbridge (and other midstream players), and that has many income-conscious investors wary since the stock has historically been a must-own for both conservative and growth-conscious investors alike.

The company's cash flow stream is highly regulated, and dividend growth is expected to continue in spite of the recent turmoil. At this point, everybody is overly gloomy about regulatory hurdles, but I suspect most of the fears are already baked in to shares.

The stock currently trades at an 18 forward P/E, a 1.4 P/B, a 1.6 P/S, and a 9.4 P/CF, most of which are substantially lower than both the company's five-year historical average and industry average multiples, respectively.

Right now, you'll rake in a dividend that yields 6% as an incentive to wait it out, as the company gradually gets its wheels back on the track.

Cineplex Inc. (TSX:CGX)

With the continued rise of video-streaming services, it certainly feels like movie theatres are going to the way of the drive-in. The company has suffered a massive plunge thanks to a wide range of headwinds, which I warned investors of last summer.

Theatre attendance numbers are continuing to fall, and at this point, forecasting the success of upcoming movies is akin to throwing darts. It's not worth calling a bottom in the box office anymore, as secular headwinds remain strong and could get even stronger as the video streaming market continues to mature.

I'm not calling the bottoming of the box office segment. In fact, I think there's more pain ahead as the "stay-at-home economy" becomes more prevalent with time. In spite of this, I believe Cineplex is a bargain because of management's focus on its amusements business, which will slowly but surely dilute its exposure to the box office segment.

Innovative experiential concepts like the Rec Room has shown tremendous promise, and over the next five years, I think the amusements business will grow to a level such that Cineplex will be less dependent on Hollywood for its success.

In other words, Cineplex is taking matters into its own hands by re-inventing its business model with what I believe is a sound long-term plan. While significant dilution of the movie theatre business is years away, investors have a huge incentive to stick around with the fat 5.7% dividend yield, which will likely remain intact throughout.

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