The 3 Worst Dividend Stocks of 2018 (So Far)

Description

If you had to foresight to know that a dividend-paying company would significantly underperform the market, would you invest in the company? Probably not. Although yield and dividend growth are important metrics, it should not be at the expense of a loss of capital. Even the most staunch income investors like to see some sort of capital appreciation.

When a company's share price takes a nosedive, it is typically for good reason. Once a stock takes a turn for the worse, the yield rises. Don't fall for this trap; it could be a warning sign that the company is in financial distress.

With that in mind, here are the three worst performing dividend stocks of 2018 with a market capitalization of greater than $100 million.

First place – High Liner Foods Inc. (TSX:HLF)

High Liner has the unfortunate distinction of not only being one of the three worst dividend performers, but also the worst performing Canadian Dividend Aristocrat. Aristocrats are companies who have a reliable history of dividend growth. High Liner has an impressive 10-year dividend growth streak.

The company last raised dividends by 3.5%, but this is little solace given the fact High Liner has lost 40% of its value year to date. At the heart of High Liner's issue is changing consumer habits. Quite simply, frozen food is out and fresh food is in. On June 12, I warned investors that High Liner was showing all the signs of a falling knife. It has lost 17% since.

Second place – Corus Entertainment Inc. (TSX:CJR.B)

Corus' fall from grace has been well documented. Since its Shaw acquisition in 2016, the company has been in a downward spiral. Its struggles accelerated in 2018 where it has lost 63% thus far. Despite being warned that Corus' dividend was not sustainable, income investors remained enamored by the company's 15%+ yield.

Sure enough, the company slashed its dividend by almost 80%. Corus' share price dropped 18% on the announcement. The company is highly indebted and operates in a capital intensive industry that is under-pressure from streaming companies. The company still faces many headwinds as it tries to right the ship.

Third place – Callidus Capital Corp. (TSX:CBL)

The distinction of the worst performing dividend stock goes to Callidus Capital Corp. Year-to-date, the company has lost 71% of its value. Ouch.

The company's poor performance is three-fold. The first significant drop came after **Catalyst Group Inc.,** the company's majority shareholder, was accused of over-valuing its portfolio of assets, which includes Callidus.

Second, when the company reported fourth quarter and year-end results in early April, the company announced a massive loan loss in the energy sector. Analysts' slashed their one-year price targets on the company by 50% on the back of disappointing earnings. The outcome? The company suffered a record one-day drop of 42%.

The final straw came a couple of weeks ago when the company suspended its dividend. Callidus' shares dropped almost 28% on the news and closed at record lows.

Look for the warning signs

Don't be enamoured by a high yield. There were plenty of warning signs that trouble was brewing at each of these companies. No amount of dividend will make up for such losses in capital. At this point, there is very little to like about either of these companies. Each have their own obstacles to overcome and have a lot of work to do to restore investor confidence.

CATEGORY

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TICKERS GLOBAL

1. TSX:CJR.B (Corus Entertainment Inc.)
2. TSX:HLF (High Liner Foods Incorporated)

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