This 6% Yielder Could Be the Biggest Canadian Turnaround Story of All Time!

Description

Buying the dip is a strategy that's become quite popular among today's contrarian investors. Event-triggered drops in share price are sometimes justified, but other times, the market is simply overreacting to questionable events that may ultimately be meaningless in the grander scheme of things.

If there's one thing that investors hate, it's uncertainty, so if there's a vague event that's perceived as a negative material event, you can count on the herd to panic and a sell-off to ensue, especially if we're talking about a smaller-cap stock with limited coverage from the media.

Making rash decisions based on the negative perception of an event is what many weak-handed investors do best. Sell first, ask questions later. And while this strategy may seem like the best course of action in the heat of the moment, that seldom ends up being the case after investors have the opportunity to re-evaluate their longer-term theses and how a dip-inducing event fits into the bigger picture.

Consider **Cineplex Inc.** (TSX:CGX), the movie theatre and entertainment company that can't seem to catch a break. Sentiment has been really negative and the stock is fragile. A positive event is unlikely to send the stock popping, and a potentially negative event is likely to be taken the wrong way by investors as they dig for more reasons to ditch their shares to the curb.

You may remember last year; I warned investors on numerous occasions to sell their Cineplex shares before they pulled back. With Cineplex stock down nearly 50% from all-time highs, I'm back, and this time, I'm bullish.

Both the valuation and the growth trajectory were a concern for me early last year, but given the company's longer-term plan to turn things around, its modest multiple and how fat its dividend yield has become, I think the stock is finally ripe for picking, but only if you're a long-term investor who's able to stomach a great deal of volatility!

While the movie theatre business is in continued secular decline, I believe the gravitation toward general entertainment and amusements will be a successful one. It's just going to take a few years before management can diversify its revenue stream to cut its reliance on Hollywood. But since you've got the time horizon, why not just collect the 5.74% dividend yield while you wait for the ship to turn around?

Of all the cinema companies in the world, Cineplex is arguably one of the most creative and the most innovative. I'm confident they'll get back on the right track, and after the massive correction, you're essentially receiving a discounted price of admission to what could become one of the biggest Canadian turnaround stories in decades.

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