2 Oversold Canadian Dividend Stocks With 5-7% Yields

Description

Contrarian investors are searching for unloved stocks that have the potential to deliver a big upside surprise. When you get a chance to pick up some nice yield while you wait, it makes the decision to buy a bit easier.

Let's take a look at two Canadian companies that fall in that camp today.

Cineplex (TSX:CGX)

Cineplex used to be one of those steady dividend-growth picks that just kept drifting higher. Last year, however, the market suddenly decided it wasn't cool anymore and the stock dropped like a rock, falling from $53 in the spring of 2017 to a low near $28 in May 2018. Since then, the stock has recovered back to $33, and more gains might be on the way.

Cineplex raised the dividend in May and recently reported record Q2 results. Total revenue increased 12.4% to $409 million compared to Q2 2017. Attendance increased 5% to 17.3 million and box office revenue per patron rose 4.4% to $10.82. People also spent more on food as concession revenue per person increased 9.3% to $6.59.

Cineplex is expanding its operations beyond theatres. It is already a major supplier of digital place-based screens for restaurants and is rolling out amusement and leisure facilities such as the Rec Room and eSports. As the new businesses grow, they should provide some stability to the Film Entertainment segment that is dependent on the film producers to come out with desirable product.

The dividend should be safe and currently provides a yield of 5.25%.

Inter Pipeline (TSX:IPL)

IPL is a niche player in the midstream energy infrastructure sector in Alberta. The company also owns bulk liquids storage operations in Europe.

The company has an attractive development portfolio, including the $3.5 billion Heartland

Petrochemical Complex that should be up and running by the end of 2021. The facilities, which will produce raw material plastics that are used for the manufacturing of a variety of packaging and end products, should generate additional average annual EBITDA of $450-500 million.

IPL's conventional oil and oil sands pipelines are seeing strong throughput and that should continue as the energy sector recovers. The storage business in Europe has been the weak link in 2018 due to lower utilization rates as a result in shifting market prices, but that could turn around as quickly as it went sideways.

IPL generates adequate cash flow to support the dividend. The current payout provides a yield of 6.9%.

The stock topped out near $39 in 2014 and is now trading around $24.50. Rising interest rates are hitting the energy infrastructure sector and uncertainty around major pipeline developments has investors giving the broader Canadian energy patch a wide berth, but the pullback in IPL looks overdone.

As consolidation increases among the midstream players, IPL could become a takeover target in the next few years.

The bottom line

It takes a contrarian view to step in to these stocks right now, but they both pay above-average dividends that should be safe, or even continue to grow, while you wait for sentiment to improve.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/07/03
Date Created
2018/09/03

Author
aswalker