2 High-Yield Canadian Stocks for Contrarian Dividend Investors

Description

Contrarian investors search for unloved stocks with the potential to deliver impressive returns on a turnaround.

These names are often volatile growth stocks that don't pay dividends, but there are also opportunities out there that pay you well while you wait for a recovery.

Let's take a look at **Russel Metals** (TSX:RUS) and **Cineplex** (TSX:CGX) to see why they might be interesting picks today.

Russel Metals

Russel Metals might not be a very exciting company in the current market environment, but the firm is a market leader in the Canadian and U.S. in the areas of steel distribution, metals service centres, and specialized energy products.

The company has grown over the years through an aggressive acquisition strategy, and that trend continues. In April, Russel Metals closed its purchase of metals service centre operator DuBose Steel, which is located in North Carolina.

The industry is constantly facing challenges amid trade disputes, international tariffs, and fluctuating steel prices, but Russel Metals does a good job of adjusting to the uncertainty and the strong U.S. presence is important when evaluating the stock.

Revenue rose 20% in Q2 2018, compared to the same period last year. Gross margins jumped from 20.6% to 24.4%, and the company reported net earnings of $66 million, compared to $32 million in Q2 2017. The U.S. operations represented about 32% of total revenue in the quarter.

Russel Metals pays a dividend of $0.38 per share. That's good for a yield of 5.5%.

Cineplex

Cineplex has recovered a bit of lost ground after reporting solid Q2 2018 results.

The stock took a beating over the past year amid an increase in investor concerns that the company might die a slow death at the hands of streaming services. In addition, the market hasn't responded well to the diversification into other entertainment areas, such as e-sports, the Rec Room, and a variety of complexes targeted at encouraging teens and families to get out of the house, including Playdium and Topgolf.

The Q2 2018 results suggest things might be rolling along better than the market expected. Total revenue, attendance, box office revenue per person, and concession revenue per person all improved on a year-over-year basis.

Cineplex raised its dividend earlier this year, so management can't be overly concerned about the cash flow outlook. At the time of writing, the stock provides a yield of 5.4%.

Time will tell whether the new amusement initiatives take off, but the dividend should be safe, and it appears that moviegoers are still willing to spend and see their favourite films on the big screen.

There is also potential for Cineplex to become a takeover target for **Netflix** or **Amazon** as the U.S. giants expand their presence in the film industry.

The bottom line

Russel Metals and Cineplex are trading at attractive levels and provide above-average dividends that should be safe. If you have a contrarian investing style, these stocks deserve to be on your radar.

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TICKERS GLOBAL

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2. TSX:RUS (Russel Metals)

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