# Cineplex Inc. (TSX:CGX) Is 1 of 2 Top High-Yield Dividend Stocks, Yielding up to 9%, on Sale Now

## Description



When a company hits a challenge that places its whole business and future prospects into question, it is a scary ride for shareholders. The market takes these stocks down, shows no mercy, and the downward momentum takes over.

But we know from history that if we can identify those stocks that have been taken down unjustifiably and too far, we begin to have a strong investment case.

I believe this is the case for the following two high-yield dividend stocks that are down, but not out.

**AltaGas** (TSX:ALA)

AltaGas stock has been taken down as a result of an acquisition that was pending for a long time, a stretched balance sheet, and an asset-disposition plan that has been uncertain. All this contributed to a lack of visibility and, ultimately, questions of whether the company's dividend is sustainable.

But let's take stock right now and see where we're at.

AltaGas stock has been decimated in the last few years and is now trading at half of 2014 levels and almost 15% lower than the beginning of 2018. But, on the bright side, its dividend yield is a whopping 8.94%!

The WGL acquisition has been approved, and the company recently announced $560 million in asset sales, bringing total asset sales to $1.5 billion, closer to the company's target of $2 billion by the end of 2018.

While this progress is good, the sales of the power assets in California came at lower valuations than what we would have liked to see, and although the market was probably pricing this into the stock, it still may put pressure on it, at least in the short term.

But in the long term, WGL's high-quality assets and market position will bring AltaGas many growth opportunities as well as significant earnings and cash flow accretion.

The company's payout ratio and liquidity are both relatively healthy, thus enabling it to have the flexibility to support dividend hikes, and while management has moderated their expectations for increases, dividend hikes will still come in at approximately 5% per year.

**Cineplex** (TSX:CGX)

Cineplex stock hit highs of over $50 back in June 2017, but since then the stock has been in a free fall. In fact, the stock has tumbled 39% since then amid rising capital expenditures and continued uncertainty about the movie exhibition business.

But we are left now with a company that is seeing success in its diversification efforts and a stock that has a very attractive and well-funded dividend. The dividend yield is currently in high-yield territory at 5.43%, and the stock is very attractively valued.

As we have seen again this most recent quarter, Cineplex continues to benefit from its strategies aimed at boosting revenue diversification to combat stagnating attendance in the box office segment.

Cineplex's diversification strategy is paying off, as the company continues to increase revenue from the "other" category, which includes Cineplex media, recreation rooms, and digital media.



In the latest quarter, the second quarter of 2018, the other category represented 24% of total revenue. This compares to well below 20% just a few years ago.

Cineplex is coming out of a period of intense investment and the latest quarter has shown us the fruits of this investment.

The company's adjusted EBITDA margin came in at 16.6% compared to 10.4% in the same period last year and free cash flow came in at $25 million compared to negative $80 million in the same quarter last year.

**CATEGORY**

1. Dividend Stocks
2. Investing

**POST TAG**

1. Editor's Choice

**TICKERS GLOBAL**

1. TSX:ALA (AltaGas Ltd.)
2. TSX:CGX (Cineplex Inc.)

**PARTNER-FEEDS**

1. Msn
2. Newscred

3. Sharewise
4. Yahoo CA

**Category**

1. Dividend Stocks
2. Investing

**Tags**

1. Editor's Choice

**Date**
2025/07/05
**Date Created**
2018/09/13
**Author**
karenjennifer