



Enbridge Inc. (TSX:ENB) vs. Cineplex Inc. (TSX:CGX): Better Dividend Play?

Description

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) and **Cineplex** ([TSX:CGX](#)) are two severely battered dividend stocks that aren't cutting their dividends without a fight. Both companies have endured an entirely different set of struggles, yet each company remains determined to pull through the hard times with their intriguing turnaround plans that could yield massive fruit for contrarian value investors who are looking for a dividend to go with an above-average magnitude of capital gains over the next three years and beyond.

The long-term charts of both stocks are incredibly ugly. At the time of writing, Enbridge and Cineplex are down 36% and 32%, respectively, from their all-time highs. The dividend yields are 6.4% and 5.1%, respectively, and each company's dividend is safe when you consider their ambitious cash flow-generating projects that will begin to pay off three years from now.

Both stocks are prime candidates for income-hungry, deep-value investors, but which, if any, is a better bet?

Enbridge

Despite the company's less-than-stellar financial health, management has [kept its promise](#) to shareholders by committing to continuing along with its generous, albeit overly expensive plan to hike the dividend by a double-digit percentage on an annualized basis through 2021.

When you look further into the future, Enbridge has promising cash flow-generating projects that could provide the company with the financial relief it so desperately needs. The proceeds will go towards paying back debt, fueling additional growth projects, and perhaps renewing a new multi-year dividend-growth commitment.

If you've got a time horizon of five years, Enbridge's risk/reward trade-off looks very favourable at these levels, so Foolish investors ought to think about initiating a position today and on any further declines.

Cineplex

Last summer, I called the downfall of Cineplex and strongly recommended investors sell the name before headwinds had a chance to catch up to the company's shares.

The company is on the wrong side of a profound secular trend: the continued rise of video streaming.

It's wasn't just about **Netflix** either. Many content-rich streaming platforms are poised to hit the market next year, and that means the average consumer of viewed entertainment will have less of an incentive to go out to see a movie. You've probably got a queue full of movies on Netflix, CraveTV, or any other streaming service that you're subscribed to.

With a queue of stuff you need to watch eventually, does it make sense to go to the movies to watch something else?

No; you'll feel guilty, even wasteful if you've got a strong lineup of content you can watch from the comfort of your own home. Best of all, you won't need to deal with somebody kicking your seat while the person next to you keeps loudly eating snacks during a quiet scene that's supposed to precede a jump-scare.

While Cineplex looks like a short-worthy dud, management has acknowledged its shortcomings and has proactively invested in diversifying itself from its struggling box office business.

It's going to take years, but Cineplex will [rise again](#) with an extensive offering of non-movie entertainment services. It's reinventing date night, and you can have a front-row seat as the company undergoes its massive transformation. For the time being, there's a 5.1% yield to get excited about.

Foolish takeaway

Enbridge and Cineplex are both incredible contrarian bets today. I'd bet on both, but if I were to recommend one, it'd be Cineplex. The price of admission is too low when you consider the fat dividend, the swift management team, and the promising long-term growth plan.

Stay hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:CGX (Cineplex Inc.)
3. TSX:ENB (Enbridge Inc.)

PARTNER-FEEDS

1. Msn

2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date

2025/08/06

Date Created

2018/09/29

Author

joefrenette

default watermark

default watermark