ON SALE: 2 High-Yield Stocks for Contrarian Income Investors

Description

Dividend stocks have gone out of favour in 2018, and the ongoing pressure in some names with stable distributions is serving up attractive yields that might be tough to pass up today.

Let's take a look at two high-yield stocks that deserve to be on your dividend radar right now.

Inter Pipeline (TSX:IPL)

IPL trades for $20.40 per share compared to $27 a year ago. At this price, investors can pick up a yield that tops 8.3%.

The company reported a record $169 million in net income for Q3 2018, representing a 19% gain over the same period last year.

IPL continues to grow. The company just announced a deal to acquire seven new storage terminals in the Netherlands and the United Kingdom for US$270 million. This adds to the company's existing European storage business.

In Canada, IPL is making progress on its $3.5 billion Heartland Petrochemical Complex that will produce polypropylene. The facility is scheduled for completion in late 2021 and is expected to generate annual EBITDA of at least $450 million.

Throughput remains strong on the oil sands and conventional oil pipeline networks, and the NGL processing operations are enjoying the benefits of a market recovery.

IPL had a Q3 2018 dividend-payout ratio of 55%, so the distribution should be safe.

Cineplex (TSX:CGX)

One mention of movie theatres these days, and most investors take a step back. The surge in movie-streaming services in recent years is certainly disrupting the entertainment industry and legacy players such as Cineplex have to adjust their businesses to keep attracting people to their venues.

The company has branched out into other entertainment areas, including eSports and family-oriented amusement and leisure facilities, including location-based entertainment. The company recently acquired a 34.7% interest in VRstudios, a virtual-reality company.

Media revenue took a hit in Q3 due to lower spending by the Ontario government on ads in theatres. That triggered a sell-off in the stock that sent the share price tumbling from $36 a month ago to the current price of $25 per share.

This puts the dividend yield at 6.9%. Cineplex increased the distribution in May.

For the first nine months of the year, total revenue is up 5%, with box office revenue up 3.3% and concession revenue per patron up 6.9%. Adjusted free cash flow increased nearly 20% compared to the first nine months of 2017.

The company still relies on the movie industry to deliver hit films that will draw people into the theatre, and investors will want to see if the media revenue bounces back in the current and future quarters.

That said, the pullback appears somewhat overdone, and a solid Q4 and a strong start to 2019 could send the stock much higher.

In addition, I wouldn't be surprised to see one of the big streaming players in the United States actually make a move to acquire brick-and-mortar theatres. Cineplex is the largest in Canada with 165 theatres in prime locations.

The bottom line

Buying unloved stocks takes courage. However, IPL and Cineplex pay distributions that should be sustainable.

More volatility could certainly be on the way, but investors who buy today get paid well to wait for sentiment to shift, and there could be some nice upside over the next couple of years.

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