High-Yield Dividend Stocks to Buy Right Now — and 1 to Avoid

Description

High dividend yields can be alluring for the current stream of income they provide, but investors also need to be wary of the risks of "value traps" or those investments that can sometimes appear to be – and sometimes are – "too good to be true."

In this post we'll take a look at two standout high yield dividend stocks that really do represent great value, and one other that readers may want to be keeping a watchful eye on.

Inter Pipeline Ltd (TSX:IPL) is what would be considered a midstream energy company.

What that means is that Inter Pipeline helps take raw energy from exploration and drilling companies and transports that raw energy to processing plants and refineries, where the raw energy then gets converted into end-products like gasoline, diesel and jet fuel that gets used by individuals and businesses.

But what's particularly good news for those looking to buy into Inter Pipeline these days is that not only are the IPL shares currently yielding the company's shareholders 7.65% annually, but the company as a whole is also being valued at a fairly attractive price point.

In 2018, Inter Pipeline generated annual EBITDA of $1.2 billion and on top of that, record annual funds from operations (FFO) of $1.1 billion.

Yet at a market capitalization currently of *only* $8.4 billion, it would imply the company right now is available to be purchased at less than a 10 times multiple of those trailing earnings.

To me at least, that screams "bargain," if not only for the nearly double-digit dividend yield then for the prospect of some significant capital gains down the road.

Alaris Royalty Corp. (TSX:AD) meanwhile is a somewhat unconventional company in that it doesn't truly produce anything of value.

Except you could argue, that it generates capital to invest in its portfolio of businesses in order to help them reinvest in themselves and grow.

In return, Alaris gets a proportional share of the earnings of those businesses, which it then reinvests in new opportunities, returning any excesses to its shareholders via regular dividend distributions.

It's a noble cause, without doubt, but as far as the company's shareholders are concerned, it can also be a rewarding one.

That's because right now, the AD shares are paying out to the company's shareholders a very attractive 9.12% annual dividend yield.

Meanwhile, as Alaris is only in the business of developing long-term partnerships with companies with a proven track record of stability and profitability, and also because it holds the advantage of being able to adjust the payout it receives from its investments based on short-term performance results, the whole thing ultimately becomes a fairly reliable business model — not to mention a dividend yield greater than 9% annually.

Cineplex Inc (TSX:CGX) is Canada's largest movie exhibition company, currently yielding its shareholders a forward-looking 7.22% annual dividend.

Earlier this month Cineplex announced that it would be raising its monthly payout to shareholders by half of a penny from $0.145 to $0.15 even, or $1.80 yearly.

But to be perfectly honest, I wasn't expecting this type of response from management in terms of the company's latest dividend hike.

For fear of sounding overly pessimistic, but among these three companies, Cineplex would be the one that maybe I'm feeling a little less confident about compared to the aforementioned two.

Movie attendance has been waning in recent years.

Some have attributed this to changing consumer behavior patterns (for example, the inability to refrain from checking one's smartphone for a two-hour period), while others have suggested that **Netflix, Inc.** and generally speaking, more on-demand TV and film options that can be enjoyed from the comfort of one's home are threatening to detract from the traditional movie-going experience.

Still others have pointed to the lack of diversity in major motion film titles as the problem.

Either way, Cineplex and other movie exhibitors are being forced to re-think their entire business models; to date, the results have been largely a mixed bag.

For what it's worth, income-focused investors may appreciate the stock's current 7%-plus dividend yield, but for my money, this is the type of stock that I'd want to be holding with a short leash.

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TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:CGX (Cineplex Inc.)

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