2 Dirt-Cheap Dividend Stocks That Yield up to 7%

Description

The S&P/TSX Composite Index has been on a rocky road in the month of August. Energy and financial stocks have encountered turbulence, as warnings of a global recession have grown louder. This is an interesting environment for income investors, especially with bond yields taking a sharp tumble.

Today, I want to look at two stocks that have battled volatility in 2019 largely due to struggles in their respective sectors. Both are hovering around 52-week highs as we enter the final week of August. Should you look at add at a discount today? Let's dive in.

Cineplex

Cineplex (TSX:CGX) stock had climbed 8% over the past month as of close on August 22. This pushed shares into positive territory for the year. I have been high on Cineplex as a dividend stock since the late winter, when shares were hit by headwinds in the broader industry. The movie slate was poor to start the year, but several big hits have brought up box office numbers in 2019.

The company released its second-quarter 2019 results on August 8. As expected, Cineplex enjoyed an uptick in Q2 as revenue rose 7.4% year over year to $439.2 million. The massive success of *Avengers: Endgame*, now the top-grossing movie of all time, drove this record quarter. However, theatre attendance was still down 1.7% to 17 million and net income dropped 20.4% to $19.4 million.

Cineplex posted increases across all revenue lines, and the Canadian box office is up 10% so far in the third quarter. The stock offers a monster monthly dividend of $0.15 per share, representing a 7.2% yield at the time of this writing. Shares have a high price-to-earnings ratio of 32 but a solid price-to-book of 2.5.

AutoCanada

AutoCanada (TSX:ACQ) stock had plunged 19% over the past three months as of close on August 22. In early April, I'd warned investors that AutoCanada stock was facing dangerous headwinds for the rest of 2019. Monetary easing may provide some relief to lenders in the auto sector, but consumers are struggling with sky-high debt levels right now. Falling rates are unlikely to provide a significant bump in sales.

Auto sales fell 1.7% in the month of July, which marked the 17th straight month of declines. Industry experts have been quick to point out that this is historically still a very strong year for sales.

The company released its second-quarter 2019 results on August 8. Its Go-Forward Plan has been a solid success, and in Q2 AutoCanada reported gross profit of $153.4 million, which was up 9.1% from the prior year. New vehicle sales at its Canadian operations rose 0.9% year over year compared to the broader drop of 5.5%, illustrating AutoCanada's solid numbers in a tough market.

Shares had a very favourable P/E ratio of 5.4 and a low P/E of 0.6 as of close on August 22. The stock had an RSI of 39 at the time of this writing, putting it close to technically oversold territory.

AutoCanada declared a quarterly dividend of $0.10 per share in its Q2 report. This represents a strong 4.4% yield. The auto industry is battling headwinds, but AutoCanada has put together strong quarters regardless. I like the stock priced below the $10 mark.

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