Double Your Money (or More!) With This Ridiculously Cheap Dividend Payer

Description

Many value investors insist on getting a nice dividend while they wait for a stock to recover — a smart investment decision.

As many long-suffering value investors can attest, it can often take years for a cheap stock to go back to something resembling its intrinsic value. That cash is tied up for a long time. The least an investor can expect is to get paid a little something for waiting.

Dividends also boost total returns. A stock that takes two years to go up 50% works out to a 25% annual return, but a stock that does the same thing while paying a 5% dividend will increase the total annual return to 30%.

Let's take a closer look at a stock with an even larger upside potential, the kind of company that could double your money (or more!) over the next few years as it recovers. It also pays a nice dividend while you wait.

A bet on Alberta

Many investors are incredibly bearish on Alberta, and it's easy to see why.

The economy runs on oil and natural gas, and each of those commodities has issues right now. Oil prices are low because the world is awash in the stuff. Canadian heavy oil prices are even lower because of transportation issues.

These transportation issues don't look like they'll resolve themselves anytime soon, either. Natural gas prices, meanwhile, continue to be weak because of oversupply issues.

But I'm also confident the province bounces back. Oil will inevitably rise again. Alberta is also trying hard to diversify away from energy, too.

Eventually, beaten-up Alberta-based stocks will reward patient investors. That's why I'm bullish on **Gamehost**

(TSX:GH) today.

The company operates casinos and hotels in the province, including three different casinos and three different hotels. Assets are located in Calgary, Fort McMurray, and Grande Prairie. This is not a particularly large company; its market cap is just under $200 million.

There's little doubt casinos get hurt when the economy is suffering, and Gamehost's locations are no exception. In 2014, the company generated $83 million of revenue and a net profit of $22 million. By 2018, both those numbers were down significantly, decreasing to $70 million and $17 million, respectively.

It wasn't just oil that has hurt Gamehost. The company also had to deal with the large Fort McMurray wildfire, an event that the city still hasn't recovered from. Disappointing recent earnings have also hit shares relatively hard, with the stock falling to a new multi-year low right around $8 per share at writing.

The good news

There are a few important reasons why investors should be bullish on Gamehost shares today.

First, let's talk about insider ownership. The company's CEO, Vice President, and COO, all have significant ownership interests. Together, these top execs own some 43% of the company, which is something minority shareholders always want to see.

The stock is also significantly undervalued when compared to the company's earnings potential. Shares currently trade hands at just over $8 each.

During periods of better economic times, the company generated more than $1 per share in annual free cash flow.

Shares peaked at more than $17 each during the last oil boom, and I'm confident the stock could return to such lofty levels if Alberta's energy sector recovered.

Finally, investors are treated to a succulent dividend for waiting. The current yield is approximately 8.5%. Yes, the company did cut the dividend back in 2016, but it's committed to paying dividends to shareholders. And remember, it has stayed consistently profitable even as the rest of the Albertan economy has suffered.

The bottom line

If you believe the Albertan economy can't get much worse — as I do — then it's time to be bullish on Gamehost. The company offers significant upside potential if results start coming in better, and you get paid a wonderful dividend for waiting.

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