3 TSX Stocks With Dividend Cuts That You Should Avoid in 2020

Description

When markets are volatile, dividend investors tend to have a better time than most as they are assured of a steady income. If the investors have put their money into aristocrats, stocks that have been increasing dividend payouts for five straight years, that's even better. However, the COVID-19 pandemic is unlike anything that the modern world has seen, and its effects have been brutal, even for aristocrats.

We'll take a look at companies that have been forced to cut dividends and aren't likely to get them back anytime soon. So, if you are someone who is looking for a steady income stream, these are not stocks you should buy.

An energy stock on the TSX

Enerflex (TSX:EFX) is an energy stock I have been bearish about since March this year when oil prices crashed 30%. The company operates in the oil and gas equipment and services space.

The stock has gone from $17 in July 2019 to $10 in February 2020 to $5.43 today. Even as other companies on the index have recovered to decent levels, Enerflex is caught in a net it just can't seem to get out of. Clearly, COVID-19 is not the only factor hurting the company. The company's problems are systemic and external, and unless both factors improve, expect the numbers to stay low.

The company has slashed its dividend by over 80%, and the numbers it reported for the first quarter of 2020 weren't great. Avoid this stock until the industry stabilizes and the company gets back on track.

Secure Energy Services (TSX:SES) is another stock in the oil and gas equipment and services space. This is a small-cap stock that has gone from over $5 in February 2020 to $1.74 today. The company can do anything an oil driller asks it to do. The problem is, oil drillers are not asking it to do much. Secure Energy Services has reduced its annual dividend from $0.27 to $0.03 — a cut of over 88%.

Secure and Enerflex are stocks that will remain volatile in 2020 due to low oil prices. As long as oil prices don't see any significant uptick, these stocks will be under pressure, and you can forget about a dividend increase here.

A Canadian retail giant

The third stock I recommend you avoid is **Gildan Activewear** (TSX:GIL)(NYSE:GIL). Now, this apparel company is a buy according to several analysts. However, most of them recommend this stock for its growth potential and not for its dividend.

Gildan had a major decline in earnings for the first quarter of 2020, and the second quarter had started off badly with a drop of around 75% in April 2020 revenues. The company has a strong balance sheet and is backed by a good team but the pressure in 2020 is going to be too much.

Gildan has halted its dividend, stopped production, and cut labour expenses to reduce costs and conserve cash. Don't expect this company to start its dividend payout anytime soon.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:GIL (Gildan Activewear Inc.)
2. TSX:EFX (Enerflex Ltd.)
3. TSX:GIL (Gildan Activewear Inc.)
4. TSX:SES (Secure Energy Services)

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araghunath