TFSA Investors: This Dividend Stock Pays 9% and Could Be the Best Deal Out There Right Now

Description

Are you looking for a great, high-yielding dividend stock to add to your Tax-Free Savings Account (TFSA)? There are still some good options out there. Below, I'll show you a gem that can generate significant recurring cash flow for your TFSA. Normally, I'd say you should be very careful when investing in stocks that pay more than 6% and that those dividend stocks are often too good to be true.

However, the markets have been anything but normal this year. Many stocks are soaring and at all-time highs, even though there's a recession going on — and that's likely to continue at least until the COVID-19 pandemic comes to an end, which is far from imminent. The volatility in the markets has led to some great buying opportunities out there, and dividend stocks are no exception to that.

An undervalued stock that's a safe buy

The one stock to consider adding to your portfolio today is **Corus Entertainment** (TSX:CJR.B). Shares of Corus are currently trading at close to half of their book value and a forward price-to-earnings multiple of less than four.

One of the reasons investors are bearish on this stock is that advertisers are scaling back spending amid the recession, and Corus is feeling the effects of that. The company released its third-quarter results on June 26, and sales for the period ending May 31 were down 24% year over year. Corus also incurred impairment charges totaling $786.8 million, which led to the company reporting a Q3 loss of $748.3 million. A year ago, Corus recorded a profit of $73.6 million.

But despite the poor quarter, Corus still generated positive free cash flow, which is something it's done in each of its last four quarterly results. And that's arguably a much more important figure than accounting losses, which include non-cash items. Free cash flow of $90 million in the quarter was more than enough to cover the company's dividend payments, which totaled $13 million.

With Corus generating more than enough free cash to cover its dividend payments, the company's payouts look to be safe. Corus currently pays its shareholders a quarterly dividend of $0.06, which on an annual basis yields more than 9%.

Corus shares have lost half their value so far this year, and that's a key reason why the dividend yield is so high — the stock is just a whole lot cheaper than it was before the pandemic.

Bottom line

Corus still has a solid business as the media company has great brands and networks like HGTV, YTV, and many others that carry a lot of value and are popular with consumers. That's why, despite the stock's struggles this year, I'm still hanging on to my shares of Corus and am even considering adding more just because of how cheap the stock has become.

It's by no means a risk-free investment, but if you're a long-term investor, then investing in Corus could be a great decision to make today. With some great assets in its portfolio, the stock trading at cheap multiples, and investors collecting a great dividend from the company, there are many reasons to invest in Corus today.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:CJR.B (Corus Entertainment Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Sharewise
6. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/08/15
Date Created
2020/07/22
Author
djagielski