3 Dividend Stocks That Could Make HUGE Market Crash Cuts

Description

Canadians have sought out dividend stocks as safe havens during this economic downturn. It makes total sense. You receive income practically like a paycheque quarterly or, in some cases, monthly. It seems like it's a simple solution for investors to keep bringing in cash, even as shares plummet.

But some of the companies offering dividends to investors come with a word of warning. Dividends that were once high have now plummeted, could see cuts, or have cut dividends completely. So, let's look at three popular dividend stocks that investors need to be wary of.

Cineplex

Right off the bat, if you have **Cineplex** (TSX:CGX) in your portfolio for dividends right now, get rid of it. The company cut dividends for investors when the market crashed. Since then, investors haven't received anything but heartbreak from the entertainment giant.

Unfortunately, it likely will get worse before it gets better. Shares trade near 52-week lows at about $9 per share as of writing. That's a drop of almost 75% from pre-crash levels. Sales for Cineplex are likely to continue declining. Even if a vaccine comes on the market, Canadians are likely to be wary to return to the cinema. So, unless the company makes some drastic changes, and fast, it may not just be dividends that get cut from this company.

Suncor

Suncor Energy (TSX:SU)(NYSE:SU) has been unfairly treated during this pandemic. On the one hand, it's true that the company has seen a loss from cutting production. However, the energy giant is the largest fully integrated energy company in Canada. So, when one area of the business is down, Suncor sees an uptick in its other services.

But that only work if the company has a long-term solution. True, it has long-term contracts, but that won't help as the company continues to bring on more and more debt. In fact, as of its recent earnings quarter, the company has an Altman Z score of one, meaning it is getting incredibly close to potentially filing for bankruptcy.

So, it's no wonder that the company cut dividends, and it's highly likely Suncor could cut dividends even further before the year is out. Once another market crash hits, investors could see the once major dividend player cut dividends altogether.

SmartCentres REIT

Finally, I'm of two minds with **SmartCentres REIT** (TSX:SRU.UN). On the one hand, SmartCentres is a great long-term investment for those willing to wait it out. As businesses reopen, SmartCentres is likely to see a huge rise in revenue. With centres placed all across the country, once the pandemic passes and the company is back to normal, investors should be rewarded in spades.

However, as for right now, even with businesses opening, Canadians remain wary. E-commerce has practically taken over retail businesses, and SmartCentres relies on in-person business for many of its stores. So, it simply doesn't have the ability to adapt to the current situation.

While I doubt the dividend will be cut all together, the company must pay out 90% of its taxable income to shareholders, usually in the form of dividends, as it's a real estate investment trust. So as long as it's making something, investors can be sure to receive dividends, though who knows how high those dividends will be.

Bottom line

These three companies have already suffered greatly during the pandemic, and it's not over yet. Further market crashes are likely down the line, and we could be entering one as I write this. I would stay away from these companies until there is some sign of major recovery, both from the pandemic and the global economic downturn.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

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1. NYSE:SU (Suncor Energy Inc.)
2. TSX:CGX (Cineplex Inc.)
3. TSX:SRU.UN (SmartCentres Real Estate Investment Trust)
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