The Canadian Dividend Stock I Bought for the Great Reopening of 2021

Description

The price of admission into many great Canadian dividend stocks has gone up drastically in recent months. Thanks in part to the climbing 10-year U.S. Treasury note yield, investors have collectively turned their back on growth in favour of beaten-down reopening trades, many of which still boast swollen yields as a result of the damage they took earlier last year.

While I wouldn't encourage investors to overreact to the growth-to-value rotation in response to the action in the bond market, I would urge growth-heavy investors to look at some of the hard-hit Canadian reopening stocks that possess superior risk/reward trade-off as we inch closer towards pre-pandemic levels of normalcy.

How to play a reopening without risking your shirt

Now, I'm not saying you should ditch anything with a growth rate north of 10% for reopening plays like **Air Canada**, **Cineplex**, or any other reopening stock that depends on the timely elimination of the insidious coronavirus. I believe they remain risky as ever, especially given how much their shares had run since November when **Pfizer** pulled the curtain on the world's first vaccine breakthrough.

Instead of reaching for the distressed reopening plays that hold the most upside in a bull-case scenario, I'd urge you to give more attention to the well-capitalized reopening plays that aren't as dependent on the timely elimination of the coronavirus. Consider Canadian stocks that are so cheap such that their dividend payouts won't be at risk if COVID-19 variants were to gain a leg up over the vaccines.

Right now, the appetite for reopening plays is really taking off. Yet, in Brazil, the latest outbreak is growing out of hand. Could Canadian investors be shrugging off a serious threat that could send Canada back into the type of lockdown we suffered one year ago today? Perhaps. In any case, I'd urge investors not to discount the potential for things to get really bumpy en route to the post-pandemic world.

Where to find value in dividends stocks ahead of a reopening

Will a dividend stock you're looking at be at risk of bankruptcy if we're in for a spring lockdown and creditors stop extending their helping hand? Or does the firm have a strong enough balance sheet and a resilient enough cash flow stream to weather another several waves of coronavirus? These are the question investors should be asking themselves if they're looking to punch their ticket to big gains ahead of an economic reopening.

In this piece, we'll have a closer look at a dividend stud and reopening play I recently scooped up for my TFSA. Enter **SmartCentres REIT** (TSX:SRU.UN), a beaten-down REIT that weathered the pandemic far better than most of its peers in the ailing retail REIT space. Thanks in part to the REIT's **Walmart** anchor and a slew of other "essential" retail tenants, SmartCentres was not a deserted shopping mall that had numerous tumbleweeds rolling by.

I never really viewed Smart's dividend (or distribution) as being at risk of a significant reduction through the lockdowns and restrictions. There were pressures, but they were relatively modest, and I was encouraged to see rent collection rates rapidly bounce back to normalized levels. I think SmartCentres was best equipped to survive a pandemic of all Canadian retail REITs, mostly because its tenant base, PenguinPickUp service, and the Walmart advantage.

SmartCentres REIT: The Walmart advantage

Walmart was thriving amid COVID-19, while many of its retail peers were on their knees. As we exit the pandemic, the brick-and-mortar retailer is poised to spend $500 million on existing store upgrades to beef-up the "look and feel." Such investments will build upon the retailer's strength. Such strength, I believe, will spread to SmartCentres REIT, as the "main attraction" of Walmart looks to draw in even more foot traffic.

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