Forget Cineplex: Buy This $13 Dividend Stock for Your TFSA

Description

Roughly two years into the pandemic, and things are finally starting to wind down. Several countries around the world are dropping restrictions, which nobody wants to see more than the struggling businesses who continue to be impacted. One of those businesses is **Cineplex** (TSX:CGX), a former dividend stock that was always a top stock to buy in investors' TFSAs.

Ever since the pandemic hit, Cineplex has been one of the most popular stocks among Canadian investors. This is partly due to it being such a strong business with a dominant position in Canada and partly because its stock has been sold off considerably.

However, even with the momentum that the stock could have and the recovery that its operations could see, there are several other stocks that are much better to buy today, especially high-quality dividend stocks, for your TFSA.

Cineplex's operations will certainly recover as restrictions are lifted. Not only will more consumers return to its theatres, but the entire film industry is already recovering. However, even with this potential, the stock's still not that cheap at a forward price-to-earnings ratio north of 18 times, and a forward enterprise value to EBITDA ratio of 6.9 times.

So, you could be far better off owning a high-quality dividend stock, especially if you're looking to earn passive income in your TFSA.

A top dividend stock to buy for your TFSA today

Rather than Cineplex stock, which currently trades for $13.21 a share as of Friday's close, I'd recommend a stock like **Freehold Royalties** (TSX:FRU), which closed at $13.20 a share on Friday.

Freehold Royalties is a high-quality and lower-risk energy stock that pays an incredible dividend. Because it owns land and receives a royalty from other producers operating on its land, the stockearns tonnes of cash flow. In addition, its impressive balance sheet, which has very little debt, allowsyou to buy the stock for the long term with confidence.

Since the impacts of the pandemic and the curtailments that were initially put in place, it's recovered significantly, increasing its dividend on five separate occasions. And now, with the industry seeing a tailwind, Freehold has a tonne of opportunity not just to return investors passive income but also grow its value significantly.

This is why I'd be looking to buy the top dividend stock for my TFSA today rather than Cineplex, which has far more risk and uncertainty.

At Freehold's recent investor day in December, it announced it was looking to continue to expand its portfolio, especially south of the border. It also mentioned it would use up to 50% of its free cash flow to do so, with more opportunity to create value through acquisitions than with share buybacks. This once again reiterates that Freehold is an excellent long-term investment to make in an industry that's crucial to our economy.

Plus, on top of all these advantages and opportunities investors have in Freehold today, the stock is also slightly cheaper than Cineplex and its dividend yields just under 5.5%.

The bottom line on Cineplex stock

Cineplex stock certainly offers some value, especially for long-term investors willing to commit to the stock for years. However, even with its potential, due to the uncertainty it has, there are better investments that you can make today. And when you consider the momentum that energy stocks like Freehold have, if you're looking for the best investment to make in your TFSA today, the dividend stock certainly looks like one of the best to consider.

CATEGORY

1. Dividend Stocks
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1. TSX:CGX (Cineplex Inc.)
2. TSX:FRU (Freehold Royalties Ltd.)

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Author
danieldacosta