



3 Hidden Yields Paying Up to 9.1%

Description

By using this simple indicator I have been able to identify companies with yields of 5.1%... 5.4%... even 9.1%.

These are solid, blue-chip companies. Many are household names that I'm sure you're familiar with.

However, you will never see these payouts posted on Yahoo! Finance. In fact most investors have never heard of this metric.

Most brokerage and investment websites don't look past the standard payout. They simply take a company's most recent dividend and multiply it by the payment frequency to calculate a stock's annual dividend. That means the figure investors see often vastly underestimates the true annual yield of the stock.

To get a true sense of how well a company rewards its investors, you have to dig deeper. That's why more and more analysts are using a metric called shareholders' yield. In contrast to the standard dividend yield, shareholders' yield adds together the dollar value of all cash distributions, shares repurchased, and debt repaid.

In other words, shareholders' yield gives you the only true picture of how much cash a company is returning to its owners. Case in point, check out some of the firms below.

Company	Dividend Yield	Shareholders' Yield
Suncor Energy	2.20%	5.09%
Tim Horton's	2.15%	5.41%
Agrium	3.33%	9.10%

Source: Google Finance

Let's consider Canada's favourite coffee chain **Tim Hortons** (TSX: THI)(NYSE: THI). The company has paid a dividend every quarter since its initial public offering in 2006. Just as important,

Tim's has a good track record of increasing those distributions, which are up 260% over the past five years.

However, if you checked a popular financial website like Yahoo! Finance, you will see that the stock yields a measly 2.2% today. That's OK, but not high enough to get us income investors excited.

There's only one problem with this figure: it doesn't reflect how much cash the company has actually returned to shareholders. Tim Hortons has a great tradition of buying back stock. Over the past decade the company has repurchased over a quarter of its outstanding shares. To not account for this would be a grave oversight.

Over the past year alone, Tim's has been taking advantage of today's ultra low interest rates to fund its buyback program repurchasing over \$720 million of its own shares. Once you make the needed adjustments to the stock's stated payout, you discover the Tim Hortons true yield is over 5.4%!

Suncor Energy ([TSX: SU](#))([NYSE: SU](#)) is another hidden 'yielder'. Its posted dividend payout is only a measly 2.2%. Once again, that's barely enough to deserve a passing glance from yield hungry investors.

However, new Chief Executive Steve Williams is on a mission to return as much cash to shareholders as possible. Since 2011, management has repurchased over 11% of the company's outstanding shares and has paid off \$1.5 billion in debt. After taking this into account, the stock yields a respectable 5.1%.

Finally, **Agrium** ([TSX: AGU](#))([NYSE: AGU](#)) has always been a dividend investor favourite. With its 3.3% payout, the stock already boasts a hearty yield. However, once you dig deeper into the financial statements, you discover that the company has been aggressively buying back shares and paying off debt. Once this is accounted for the stock suddenly yields a remarkable 9.1%!

The bottom line: Look beyond the stated payout published on most financial websites. By factoring in share buybacks, you can reveal some of the market's hidden yields.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

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