Can You Count on These 5% Yields to Deliver Consistent Dividends?

Description

Perhaps the biggest news of yesterday's trading session was the announcement by **Teck Resources Ltd.** (TSX:TCK.B)(NYSE:TCK) that it was slashing its generous dividend 66% from $0.90 per share annually to $0.30. Based on Tuesday's closing price, the yield plunged from 5.7% all the way to 1.9%.

Not to toot our own horn, but we here at Motley Fool Canada have been very vocal about Teck's unsustainable dividend. Back in March, I listed Teck as a company with a suspect dividend, and just last week fellow Fool Matt Smith also doubted the sustainability of the generous payout.

The good news for income investors caught with Teck shares is that the beleaguered coal, copper, and zinc miner only sold off 6.5% on the news, meaning that most of investors' capital is still intact to switch over to another company with an equally generous payout.

But which should they choose? I have a few ideas. Here are three companies with payouts of more than 5% that are sustainable, at least from my perspective.

Pizza Pizza

Pizza Pizza Royalty Corp. (TSX:PZA) is the biggest pizza chain in Canada with 730 locations between its Pizza Pizza and Pizza 73 banners.

The beauty of Pizza Pizza is the simplicity of the business. The company takes 6% off the top line from each store, and that's about it. After paying minimal administration fees, shareholders get the rest. It's a business that's growing steadily, and one that offers much better downside protection during tough economic times than other restaurants. Pizza is a pretty affordable meal.

They say the safest dividend is one that was just raised, and Pizza Pizza delivers there. The company just announced a 2% increase in its annual dividend, boosting it to $0.816 per share. That's good enough for a yield of 5.6%. Considering that's the company's fourth dividend raise since 2012, I like the chances of its payout continuing.

Calloway REIT

Calloway Real Estate Investment Trust (TSX:CWT.UN) is one of Canada's largest retail REITs, with approximately 25% of its square footage dedicated to one tenant.

This type of concentration in one customer is usually bad news, but not so when it's the largest retailer in the world, **Wal-Mart**. In fact, it's actually a major positive; other tenants are attracted to Calloway's space because of the foot traffic generated by Wal-Mart. Recent occupancy numbers of 99% confirm that thesis.

The company also just announced a deal worth $1.16 billion that will expand its portfolio by 24 properties in Ontario and Quebec, all stores that are anchored by Wal-Mart. As part of the transaction, the company will hire Mitch Goldhar, who is widely acknowledged as the man who brought Wal-Mart to Canada, as head of developing new property. That's not a bad addition to the team.

Calloway pays a 5.3% dividend, which is approximately 80% of its funds from operations. There's no issues from that dividend, especially after the acquisition adds to earnings.

Brookfield Renewable

The folks at **Brookfield Renewable Energy Partners LP** (TSX:BEP.UN)(NYSE:BEP) have put together one of the finest collection of renewable energy assets for investors in North America, with more than 6,700 megawatts of capacity across 72 river systems in Canada, the U.S., Brazil, Ireland, and Northern Ireland.

With the 5.1% dividend yield (payable in U.S. dollars and then converted back to Canadian), comes some impressive dividend growth. The dividend has grown approximately 5% annually since 2011, and management plans to keep it that way, projecting dividend growth of 5-9% through 2019. The company has accomplished this even while keeping its payout ratio below 70%.

Most of its production is locked up in long-term contracts an average of 18 years long, which leaves steady, excess cash flow to invest in new projects. Approximately 2,000 megawatts of capacity is expected to eventually come online, with 750 megawatts expected by 2020. That doesn't even include any acquisitions.

Even though I think the market's shunning of coal power is overdone, it's pretty obvious what type of power producer you'll want to own over the next few decades. If you can get that sort of exposure plus a 5.1% dividend, it's a pretty compelling argument.

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