



3 Big Dividends I Prefer Over Crescent Point Energy Corp.'s 6.3% Yield

Description

For years, investors could count on **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) to pay out a consistent dividend.

Starting in mid-2009, the company paid its \$0.23 per share monthly dividend for more than six years without a hitch. Management maintained the payout even through a tough oil market in 2011, and through several big acquisitions.

Then the crude bear market hit, and Crescent Point was forced to cut the dividend from \$0.23 per month to \$0.10, a 57% cut.

Is this new dividend safe? Perhaps not. Through the first six months of 2015, the company generated approximately \$950 million in funds from operations. After spending \$910 million on capital expenditures, only \$40 million was left over for dividends. That works out to less than 10 cents per share.

Capital expenditures are expected to go down slightly over the last half of the year, which will help the sustainability of future dividends. But at the same time, the company suspended its program, which allowed investors to take their dividends in cash instead of new shares issued at a discount. This means that Crescent Point must pay the \$50 million in dividends each month in cash.

If crude doesn't recover, we could very well see another dividend cut from Crescent Point. The company just doesn't generate the cash needed to pay the dividend, which will only get worse as the company's hedges roll off.

There are safer big dividends out there. Here are three I believe are much more sustainable than Crescent Point's yield.

Smart REIT

The former Calloway REIT was renamed **Smart REIT** ([TSX:SRU.UN](#)) when the company acquired more than 11 million square feet in space from SmartCentres. The combined company has a total of

147 retail developments across Canada, with 107 anchored by the biggest retailer in the world, **Wal-Mart**. It has more than 30 million square feet in leasable area, with another 4.7 million under development.

While many investors don't like to see REITs that are dependent on one tenant, having Wal-Mart as an anchor has helped Smart REIT tremendously. Wal-Mart attracts foot traffic, which is something any retailer is looking for. It's one of the main reasons why the company has occupancy approaching 99%, which is about as good as it gets in the world of REITs.

The current dividend is 5.3%, which is low compared with some of its peers. The trade-off is the dividend payout ratio is relatively low for a retail REIT, sitting at approximately 80%. That translates into one of the safer REIT dividends out there.

National Bank of Canada

It isn't very often one of Canada's largest banks surpasses a 5% yield, but that's exactly what's happening right now with **National Bank of Canada** ([TSX:NA](#)).

The company's shares have been temporarily beaten up because it turned to equity markets a few weeks ago to raise some cash. At least one analyst thinks the sell-off is overdone, telling investors that National is "the cheapest Canadian bank stock by a wide margin."

Shares trade hands at just 9.2 times trailing earnings, which is very cheap, even compared with peers. And the dividend payout ratio is less than 50%, something that almost never happens with dividends in excess of 5%. Earnings could be cut in half and it could still pay the dividend.

Directcash

Directcash Payments Inc. (TSX:DCI) is a relatively small company that has a dominant position in the global ATM market. Between Canada, Australia, New Zealand, and the U.K., the company owns more than 20,000 ATMs, each dingling between \$1 and \$5 per transaction. Even in today's world of cashless payments, it's still a very good business to be in.

Directcash is also expanding aggressively into processing payments for retailers, offering cheaper rates than competitors. And the company already has an in with these retailers, since many have DC ATMs at their stores already.

The company generates a ton of free cash flow, giving some of it back to investors in the form of a very generous dividend. The current yield is more than 11%, which, on the surface, screams risky.

But the company easily generates enough free cash flow to cover it. Over the first six months of 2015, it earned \$30.5 million in cash from operations, and spent \$7.5 million on capital expenditures. That left \$23 million in free cash flow to pay \$12.7 million in dividends. That's a payout ratio of just 50%.

CATEGORY

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1. NYSE:VRN (Veren)
2. TSX:NA (National Bank of Canada)
3. TSX:VRN (Veren Inc.)

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