Retirees: Count On These 4 Stocks to Deliver 6%+ Yields for the Long Haul

Description

Retirees are looking for two things: consistent yield and dividends that are better than the choices provided by other fixed-income securities.

GIC yields are terrible and government bonds aren't much better. Dividends from energy producers have been decimated over the last year, with many pundits saying the pipelines will be next to slash their payouts. Some investors are being very careful with investments that get a large percentage of their revenue from Alberta, fearing that the slower economy in the province will cause dividends to dry up.

It's dangerous out there. We can help. Here are four stocks that pay generous dividends of at least 6% with a demonstrated history of maintaining that payout.

Pizza Pizza

Pizza Pizza Royalty Corp. (TSX:PZA) is Canada's largest pizza restaurant chain with more than 700 locations nationwide. The vast majority (about 550 locations) are in Ontario with another 100 in Alberta operating under the Pizza 73 banner.

After a few years of somewhat lacklustre results, 2015 has been a good year, even after factoring in the weakness coming from the Albertan operations. Same-store sales were up 6% in the second quarter and then 6.3% in the third quarter. This beats the results from just about every other Canadian restaurant chain.

These good results have led the company to hike its monthly dividend twice in 2015, increasing the payout from $0.0667 to $0.697, a 4.5% increase. That's not bad for a stock that currently yields 6.1%.

Pizza Pizza is also fairly valued, coming in at approximately 15 times projected 2016 earnings and just 16.9 times trailing earnings. Earnings growth should be solid over the next few years on the strength of good same-store sales and moderate expansion plans.

Corus Entertainment

Customers cutting the cable cord has hit many of Canada's cable providers hard. Perhaps the company most affected by this trend is **Corus Entertainment Inc.** (TSX:CJR.B). Shares of the media company behind Treehouse, Teletoon, YTV, CMT, and many other cable channels are down more than 50% over the last year.

I believe this sell-off is overdone. If you strip out the various non-cash charges, Corus actually earned $211 million in operating income in its fiscal 2015, consistent with the results it posted last year. Free cash flow continued to be robust, coming in at approximately $190 million, which works out to $2.18per share. At current levels, Corus shares are trading at just 4.5 times free cash flow, making it one of Canada's cheapest companies–at least on that metric.

Corus pays an almost unbelievable 11.7% dividend. Amazingly, it's a truly sustainable yield, with a payout ratio of just 39.4% of free cash flow.

H&R REIT

H&R Real Estate Investment Trust (TSX:HR.UN) is one of Canada's largest REITs with diverse holdings of retail, office, and industrial real estate. It also has significant holdings in the United States through a 33% stake in Echo Realty.

H&R is a strong REIT that's being unfairly punished for its exposure to Alberta. Approximately 30% of its net operating income comes from Alberta. **Encana** is by far the company's largest tenant in the province, which has maintained its investment grade debt rating through this weakness in energy. Plus, Encana is locked into a long-term lease that doesn't expire until 2038.

In short, the chance of income from Alberta drying up is remote.

H&R's dividend is solid. The current yield of 6.6% is easily covered by earnings. The company only pays out 67% of its funds from operations as dividends, which is one of the lower payout ratios of the REIT world.

Aimia

Aimia Inc. (TSX:AIM) is the company that handles the popular Aeroplan program for **Air Canada**.

Shares have struggled thus far in 2015, losing more than 30% of their value on somewhat weak results from a decrease in spending. Less overall spending means fewer Aeroplan miles are handed out and redeemed.

But Aimia is still on solid financial footing. It's on pace to generate nearly $200 million in free cash flow for 2015, putting shares at approximately seven times projected free cash flow. That's a solid value no matter what the underlying market is doing.

The dividend is now up to a 7.6% yield, which is easily covered by the free cash flow. If the company's cash-generating powers somehow deteriorate, it has more than $500 million in cash on the balance sheet.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AC (Air Canada)
2. TSX:AIM (Aimia Inc.)
3. TSX:CJR.B (Corus Entertainment Inc.)
4. TSX:HR.UN (H&R Real Estate Investment Trust)
5. TSX:PZA (Pizza Pizza Royalty Corp.)

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