3 Small Caps With Big Dividends

Description

The recent selloff has punished many companies, which should see lower sales and earnings due to a weakening economy, a falling loonie, and collapsing oil prices. Still, many stocks were simply thrown out with the bathwater, especially small caps. With lower volumes and less coverage, small-cap stocks have a higher propensity to become mispriced.

This helpful for growth investors and income investors because reliable dividend payers are now on sale.

Here are three small-cap companies that pay market-beating dividends.

A high yield worth buying

Chorus Aviation Inc. (TSX:CHR.B) operates as a capacity supplier for **Air Canada** rather than as an independent carrier flying under its own colours. While Air Canada manages the scheduling, pricing, product distribution, seat inventories, marketing, advertising, and customer service, Chorus only handles the aircraft and flight operations. Air Canada simply pays Chorus a pre-negotiated rate based on volumes, taking a lot of the business risk and complexity out of the equation for Chorus.

Over the last five years, shares are roughly flat, slightly outperforming the market's decline of 12%. Not included in this calculation, however, is the stock's consistent 9%+ dividend yield. This means that even with a flat share price, shareholders are crushing the market. As a company focus on serving income investors, don't expect this high payout to change any time soon.

Growth on sale

Even with a yield of 4.7%, **AutoCanada Inc.** (TSX:ACQ) has been able to grow its payout handsomely over the past five years. In 2011 the annualized dividend was only $0.16 a share. Today that has grown to $1.00 a share. The yield is at all-time highs, however, as the stock is down about 50% in 12 months.

As a car dealer with 48 dealership locations, investors have been worried that a weak economy will pressure consumer spending, ultimately resulting in lower vehicle sales. The biggest knock is that 49% of total revenues come from Alberta. A slumping local economy there will undoubtedly impact earnings this year.

These fears may be overdone, however, as earnings are still expected to be $2.34 per share in 2016. With a healthy balance sheet and continued profits, the dividend is likely safe.

Someone else's pain is this stock's gain

This month, **GMP Capital Inc.** announced that it will cut 97 jobs, representing a 25% reduction in workforce. As Canada's second-biggest independent broker, sales have come under pressure after the slide in energy prices reduced the profitability of its services. Perhaps GMP's struggles can help the market leader, **Canaccord Genuity Group Inc.** (TSX:CF).

While Canaccord is also subject to industry headwinds, it may act as an industry consolidator once things start to improve. With a market cap that's twice as big as its nearest competitor, it has the size and strength to withstand the current turmoil. While investors wait it out, they can enjoy the stock's 4.6% dividend yield, which should be supported by earnings.

While 2016 earnings will only be around $0.24 a share, analysts expect profits to double in 2017 to $0.53 a share. This should fully support the near 5% yield.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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3. TSX:CHR (Chorus Aviation Inc.)

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