

Income Investors: These 3 Financial Stocks Offer Terrific Dividends

Description

In Canada, our banking sector gets a huge amount of investor attention.

There are lots of things investors like about it. A small number of companies dominate the sector—concentration many find attractive. These banks have been around for a long time, accumulating enviable dividend records along the way. Many have paid uninterrupted dividends since the 1800s.

Because investors spend so much time on these dominant institutions, they often forget about other, more focused financial service companies. These companies dominate niches either too small or too complex for the banks to get into. In certain cases, these small markets are more attractive than general banking.

These specialized financial companies also pay some very attractive dividends, albeit without the kind of history the banks can prove. Still, the history of a dividend is only one factor to consider. Other factors like payout ratios, current yields, and the stability of the business matter just as much, if not more.

I'm not trying to argue these specialty financials are better than Canada's big banks, because it's silly to bet against the likes of the Big Five. But I do think investors would be well served to diversify their financial holdings to include at least one of these stocks.

First National

First National Financial Corp. ([TSX:FN](#)) is a prime Canadian lender that works exclusively with mortgage brokers. This lack of a retail presence allows it to keep costs down; it passes those savings to customers in the form of lower rates.

The company has quietly become a giant in the mortgage industry in Canada with more than \$93 billion in mortgages under administration. Growth has been outstanding since 2010; revenue more than doubled from \$394 million to \$915 million in 2015. EBITDA has followed, increasing from \$124 million to \$210 million in the same time period.

First National has always been a generous dividend payer with solid dividend growth to boot. Five years ago the monthly dividend was \$0.104 per share. After several hikes, including one recently, that dividend is now some 40% higher, coming in at \$0.142 per share. That's good enough for a 5.4% yield.

This payout is sustainable too, coming in at 71% of the company's earnings over the last year. And if that wasn't enough to entice you, shares trade hands at just 13.1 times earnings—a very reasonable valuation in today's overvalued market.

Alaris Royalty

There's a reason why the wealthy investors on *Dragon's Den* and *Shark Tank* hound pitchers for royalty deals. They can be very lucrative.

It's possible for investors to passively invest in the royalty business through **Alaris Royalty Corp.** (TSX:AD), the leader in the sector in Canada. Alaris has nearly 20 different partners, including recognizable names like Planet Fitness, End of the Roll, and Kimco.

Alaris's diverse holdings mean the company will still be able to pay dividends even if one of its royalty deals turns out less lucrative than originally thought. Overall, it's been a terrific place for a dividend investor to be. It's had eight dividend increases since April 2010. Dividends in that time period are up 79%.

Alaris shares currently yield 5.5%. With a few new deals slated to add to the bottom line in 2016, I think investors may be treated to another dividend increase pretty soon.

Brookfield Real Estate

Brookfield Real Estate Services Inc. ([TSX:BRE](#)) is the parent company of Royal LePage, Johnston & Daniel, and Via Capitale—full-service real estate brokers across Canada. Royal LePage is the main prize, which boasts a network of more than 16,000 real estate agents in more than 600 different offices.

The company continues to ride Canada's hot real estate market. Total revenue was up 7% in 2015 with cash flow from operations increasing 12% to \$28.9 million. Additionally, the company has been aggressive in making investments in things like marketing and training of new agents, to make sure Royal LePage agents have a leg up on the competition.

Shares currently yield 8.5% and trade close to 52-week highs. Management has hiked its payout twice in the last year, which usually indicates a pretty safe dividend.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:BRE (Bridgemark Real Estate Services Inc.)
3. TSX:FN (First National Financial Corporation)

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Author

nelsonpsmith

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