



2 Great Income Stocks With Yields Over 5%

Description

Finding a great income stock is not difficult, but it does require quite a bit of research. I've done the necessary research and selected two stocks with high and safe yields up to 8.05%, so let's take a closer look at each to determine which would fit best in your portfolio.

1. Chorus Aviation Inc.

Chorus Aviation Inc. (TSX:CHR.B) is a dividend-paying holding company that owns a number of companies in the aviation industry, including the following:

- **Jazz Aviation LP:** Its divisions include Air Canada Express, a contract carrier for **Air Canada**, and Jazz, an airline that offers charters throughout North America and a provider of services such as ground handling, dispatching, flight-load planning, training, and consulting.
- **Voyageur Airways:** Its divisions include Voyageur Airways, a provider of specialized contract flying operations, and Voyageur Aerotech, a provider of engineering and advanced maintenance operations.

Chorus pays a monthly dividend of \$0.04 per share, representing \$0.48 per share on an annualized basis, which gives its stock a very high yield of about 8.05% at today's levels.

Its very high yield is easily supported by its cash flows. Its cash flow before net changes in non-cash balances related to operations totaled \$88.34 million and its dividend payments totaled just \$29.34 million in the first half of 2016, resulting in a very conservative 33.2% payout ratio.

Chorus's board of directors reviews its dividend on a regular basis and raises it when it believes its cash flows could support such a move. Its cash flows have supported annual increases each of the last two years, and its 6.7% hike in March 2015 has it on pace for 2016 to mark the third consecutive year with an increase.

I also think its very strong growth of operating cash flow, including its 26.1% year-over-year increase to \$88.34 million in the first half of 2016, and its reduced payout ratio, including 33.2% in the first half compared with 40.1% in the year-ago period, could allow Chorus's board of directors to announce

another hike in the very near future. This makes it both a high-yield and dividend-growth play in my mind.

2. Keg Royalties Income Fund

Keg Royalties Income Fund ([TSX:KEG.UN](#)), through its subsidiary The Keg Rights Limited Partnership, owns the trademarks and other intellectual properties associated with the Keg restaurant brand. It licenses these properties to Keg Restaurants Ltd. for use in operating Keg restaurants in Canada and the United States in exchange for a royalty of 4% of sales. As of June 30, there are 100 restaurants in its royalty pool.

The Fund pays a monthly distribution of \$0.0918 per unit, representing \$1.1016 per unit on an annualized basis, and this gives its stock a high yield of about 5.4% at today's levels.

Its high yield is supported by its very strong generation of distributable cash. In the first half of 2016, its distributable cash totaled \$6.75 million and its distributions totaled just \$6.02 million, resulting in an 89.1% payout ratio, which is below its target of 100%.

The Fund periodically reviews its distribution to keep it at the highest sustainable level, and the primary factors that lead to an increase include growth of distributable cash, same-store sales growth, cash reserves, and positive working capital.

In the first half of 2016, The Fund's distributable cash increased 9.4% year over year to \$6.75 million, its same-store sales increased 1.9%, its cash reserves totaled \$2.07 million, and it reported positive working capital of \$3.56 million, and these stellar results allowed it to raise its distribution by 2% to its current rate on August 10. This was the fifth time it increased its distribution since the start of 2015, which has it on pace for 2016 to mark the second consecutive year in which it has raised its annual distribution.

I think The Fund's strong operational performance could allow its streak of annual distribution increases to continue for many years to come, making it both a high-yield and distribution-growth play like Chorus Aviation.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHR (Chorus Aviation Inc.)
2. TSX:KEG.UN (The Keg Royalties Income Fund)

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Date

2025/08/17

Date Created

2016/08/22

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