



2 Quality +5% Yielders I'd Buy With an Extra \$8,000

Description

If you're in search of a stock with a high and safe dividend yield to add to your portfolio, then you've come to the right place.

Let's take a closer look at why **Valener Inc.** (TSX:VNR) and **Summit Industrial Income REIT** ([TSX:SMU.UN](#)) deserve your consideration today.

Valener Inc.

Valener is a publicly traded company that holds a 29% direct interest in Gaz Métro and a 24.5% indirect interest in Seigneurie de Beauré Wind Farms. Gaz Métro is the largest natural gas distributor in Québec, and it's the sole natural gas distributor and the largest electricity distributor in Vermont. Seigneurie de Beauré Wind Farms is one of Canada's largest producers of wind power with 154 turbines and 340 megawatts of contracted capacity.

Over 90% of Gaz Métro's assets are regulated and all of Seigneurie de Beauré's capacity is contracted, providing Valener with stable and predictable distributions, and this allows it to return a significant amount of cash to its shareholders in the form of quarterly dividends.

Speaking of dividends, Valener currently pays a quarterly dividend of \$0.27 per share, representing \$1.08 per share on an annualized basis, which gives its stock a high yield of about 5.1% at today's levels. This dividend is very safe when you consider that its adjusted net income totaled \$50.6 million (\$1.31 per share) and its dividend payments totaled just \$26.8 million (\$0.81 per share) in its nine-month period ended on June 30, resulting in a very conservative 53% payout ratio.

Not only does Valener offer a high and safe yield, but it also offers dividend growth. It's currently on pace for fiscal 2016 to mark the second consecutive year in which it has raised its annual dividend payment, and it has a dividend-growth target of 4% annually through fiscal 2018 with the expectation of raising its annual rate to \$1.12 per share in fiscal 2017 and to \$1.16 per share in fiscal 2018.

I think Valener's consistent earnings growth, including its 3.5% year-over-year increase to an adjusted \$50.6 million in the first nine months of fiscal 2016, and its improved payout ratio, including 53% in the

first nine months of fiscal 2016 compared with 74.6% in fiscal 2015, will allow it to achieve its dividend-growth target and announce a new target at the conclusion of fiscal 2018.

Summit Industrial Income REIT

Summit is one of Canada's largest owners and operators of industrial properties. As of August 9, its portfolio consists of 52 properties, comprising of approximately five million square feet of gross leasable area located across British Columbia, Alberta, Ontario, Quebec, and New Brunswick.

One of Summit's key attributes is that its high-quality properties are strategically located in high-growth markets, resulting in strong demand from quality tenants who are willing to sign long-term leases. In fact, as of August 9 its portfolio occupancy stands at an incredibly impressive 100%, and its weighted-average lease term to maturity is 5.8 years.

Summit currently pays a monthly distribution of \$0.042 per unit, representing \$0.504 per unit on an annualized basis, and this gives its stock a very high yield of about 8% at today's levels.

An 8% yield may scare some investors away because of doubts of stability, but Summit's distribution is actually very safe when you consider that its funds from operations (FFO) totaled \$0.299 per unit, and its distributions totaled just \$0.252 per unit in the first half of 2016, resulting in a very sound 84.3% payout ratio.

Summit is also a very reliable income provider as it has maintained its current monthly distribution rate since May 2014. I think its consistent FFO growth, including its 2% year-over-year increase to \$0.299 per unit in the first half of 2016, its improved payout ratio, including 84.3% in the first half of 2016 compared with 85% in fiscal 2015, and its growing property portfolio, including its addition of four net new properties so far in 2016, could allow it to continue to maintain its current distribution rate for the foreseeable future.

CATEGORY

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