2 Stocks With Big Dividends to Buy Now

Description

If your portfolio lacks yield and you're ready to do something about it, then you've come to the right place.

Let's take a closer look at why **Bank of Nova Scotia** (TSX:BNS)(NYSE:BNS) and **Rogers Sugar Inc.** (TSX:RSI) should be on your buy list today.

Bank of Nova Scotia

Bank of Nova Scotia is the third-largest bank in Canada and one of the 50 largest banks in the world with about $907 billion in total assets as of July 31, 2016. It provides a wide range of financial products and services, including personal and commercial banking, wealth management and private banking, corporate and investment banking, and capital markets, to approximately 23 million customers in North America, Latin America, Central America, the Caribbean, and parts of Asia.

It currently pays a quarterly dividend of $0.74 per share, representing $2.96 per share on an annualized basis, which gives its stock a bountiful 4.2% yield at today's levels.

As savvy investors, we know we must always confirm the safety of a stock's yield before investing, and this is very easy to do with Bank of Nova Scotia by checking its earnings. In its nine-month period ended on July 31, its adjusted net earnings totaled $5.64 billion ($4.43 per share), and its dividend payments totaled just $2.58 billion ($2.14 per share), resulting in a 45.7% payout ratio, which is within its target range of 40-50%.

Not only does Bank of Nova Scotia sport a high and safe yield, but it also offers dividend growth. It has raised its dividend in 49 of the last 51 years with an active streak of six consecutive years of increases (including fiscal 2016).

As mentioned previously, Bank of Nova Scotia has a target payout range of 40-50% of its net earnings, so I think its consistently strong growth, including its compound annual growth rate of about 6% from 2005 to 2015 and its 5% year-over-year increase to an adjusted $4.43 per share in the first nine months of fiscal 2016, will allow its streak of annual dividend increases to continue for another six years at least.

Rogers Sugar Inc.

Rogers is the largest refined sugar producer in Canada with an annual nominal production capacity of approximately one million metric tonnes and total sales volume of approximately 600,000-700,000 metric tonnes per year. It has facilities across Canada that produce a wide variety of products under the Lantic and Rogers brand names.

It currently pays a quarterly dividend of $0.09 per share, representing $0.36 per share on anannualized basis, which gives its stock a very high 5.4% yield.

It’s very easy to confirm the safety of Rogers’s 5.4% yield when you look at its cash flow. In its nine-month period ended on July 2, its free cash flow totaled $30.39 million, and its dividend payments totaled just $25.35 million, resulting in a sound 83.4% payout ratio.

Rogers is also a very reliable dividend payer. It has maintained its current annual dividend rate since fiscal 2013, and I think its strong generation of free cash flow, including $37.77 million in fiscal 2015 and $30.39 million in the first nine months of fiscal 2016, and its reduced payout ratio, including 83.4% in the first nine months of fiscal 2016 compared with 89.6% in fiscal 2015, will allow it to continue to do so for the next decade at least.

Is one a better buy than the other?

Both Bank of Nova Scotia and Rogers Sugar are great picks for dividend investors. However, if I had to choose just one, I would go with Bank of Nova Scotia because it has a proven track record of dividend growth to go along with its high yield.

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1. Dividend Stocks
2. Investing

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1. Editor's Choice

TICKERS GLOBAL

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jsolitro