Alaris Royalty Corp.: An Attractive Financial Stock With a 7.2% Dividend Yield

Description

Alaris Royalty Corp., (TSX:AD) provides capital to private businesses and collects dividends from these investments as well as participates in the potential profit and growth of these companies through non-control equity ownership. This is a very attractive financing arrangement for entrepreneurs who need financing but would like to maintain control of and decision making in their companies.

Alaris is very specific in what it is looking for in its investments, and it lists the criteria that each investment must have in order to qualify. To sum it up, Alaris looks for companies that have a good, stable track record of free cash flow, a low risk of obsolescence or declining asset base, management stability and continuity, low debt levels, and low capital-expenditure requirements.

I have to say, I have a soft spot for this company, as these are many of the same things I look for when considering putting my money to work in the stock market.

The most obvious selling point of this company as an investment is its dividend yield — at 7.2% — and the fact that the dividend has increased 93% since 2010. Further, the shares are trading at a pretty attractive valuation at this time — a price-to-book-value multiple of 1.2 times with a return on equity of 10%.

The company has come upon difficult times lately as some of its investments have been struggling, and the shares have reflected this and have declined almost 32% in the last year.

Since Alaris has a royalty model, the company bears limited expenses related to its business and has margins that reflect this. The company's operating margin is over 80% and its net margin is over 50%. The payout ratio is a bit high, approaching 90%, but the balance sheet is quite healthy with a debt-to-total-capitalization ratio of under 15%.

The company has 16 revenue streams (investments), and while the top three investments currently account for over 40% of revenue, the company's goal is to reduce concentration, so no one investment accounts for more than 10% of revenue.

So, while Alaris is struggling with some underperforming investments, and investors are concerned with what this will mean for the company's financial health and if it can find attractive replacement investments, in my view, the stock is attractive at these levels, especially considering the dividend yield.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/24
Date Created
2017/04/13
Author
karenjennifer