

## 2 Stocks With Big Yields Are Here

### Description

**Alaris Royalty Corp.** (TSX:AD) and **Callidus Capital Corp.** (TSX:CBL) shares have pulled back nearly 9% and 7% year-to-date. Both have underperformed the Canadian market, which has risen about 2% in that period. Their cheaper shares have pushed their yields to 7% or higher.

Let's explore to see if they are the types of business you would like to own.

#### Alaris Royalty

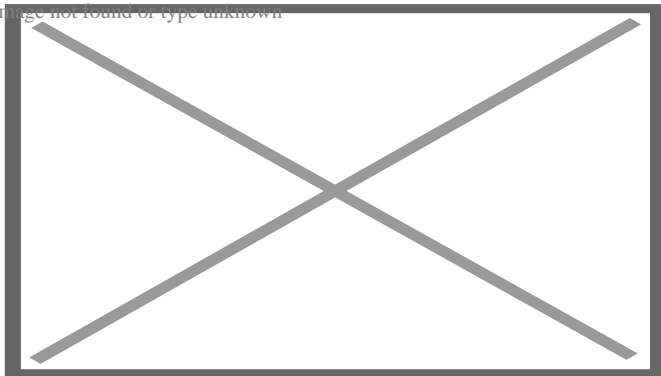
Alaris Royalty offers capital to private companies that wish to maintain control of their businesses. In turn, the company receives monthly cash distributions from them.

Alaris Royalty looks for partners that have a history of generating strong cash flows, low debt levels, and low capital-spending requirements.

Based on the fair value of Alaris Royalty's investments, the company is 70% invested in the United States and 30% invested in Canada. However, it has 8% of its investments in Canada which generate the majority of its sales internationally.

Alaris Royalty's investments are spread across four industries, including business or professional services (35% of investments), industrials (34%), health care (22%), and consumer discretionary (9%).

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Since 2011, Alaris Royalty has invested \$900 million in 23 partners from which it has generated revenue streams. Currently, the company has 16 revenue streams, but four have deferred distributions that affect 18% of the company's revenue.

That's why the shares have been under pressure. At about \$22.80 per share, they trade at a price-to-earnings ratio (P/E) of 13 and yield 7.4%.

Management owns 10% of the company. So, its interest is aligned with that of shareholders. Shares should move higher if or when management fixes the problem streams or secures new streams.

## Callidus Capital

Callidus Capital offers financing solutions for companies that cannot obtain adequate financing from conventional lending institutions. Instead of focusing on cash flows and projections, as conventional lending institutions do, the company focuses on assets and the enterprise values of its potential clients.

The Catalyst Capital Group Inc., Canada's second-largest private equity firm, owns about 67% of Callidus Capital and provides management services to Callidus Capital.

Callidus Capital is in the process of being privatized, which could lead the shares higher. Across three analysts, the average 12-month price target of the stock is \$20.50 per share, which implies there's nearly 20% upside potential from its recent share price of \$17.15.

In the meantime, the company could buy back 5% of its outstanding shares, and shareholders can collect a generous 7% yield.

## Investor takeaway

Both Alaris Royalty and Callidus Capital have near-term uncertainties. That's why they offer big yields of 7% or higher. Investors with an above-average appetite for risk can consider small positions in them for juicy yields and potential price appreciation.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

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

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