



Trading Under \$7, These Shares Are Sweet!

Description

While many consumers are familiar with the brand Lantic Sugar, most don't know it is actually owned by publicly traded company **Rogers Sugar Inc.** ([TSX:RSI](#)). Trading at a price near \$6.25, investors have the opportunity to receive a dividend yield close to 5.75% at current levels.

Based in Vancouver, the company has two major processing facilities on opposite sides of the country to serve Canadians from coast to coast. In the western part of the country, it is estimated the company produces close to 90% of the sugar. With clear economies of scale and a proven track record, investors only need to ask one question: "What is a fair price to pay?"

Currently trading at 11 times trailing earnings, company shares have not seen much excitement, trading in a range between approximately \$5 and \$7 per share over the past year. Additionally, the beta of the security is but 0.48, signaling a very low level of volatility when compared against the average.

For dividend investors, the picture is even rosier.

While the dividend was cut from fiscal 2013 to fiscal 2014, the payout over the past three fiscal years has been in line with expectations for a mature company. In 2014, total dividends paid were \$33.87 million, while net earnings were \$29.23 million, and cash from operations (CFO) was \$31.96. Although the numbers are in excess of 100% for 2014, things did improve in fiscal 2015.

In 2015, dividends paid totaled \$33.86 million with net profit decreasing to \$24.03 million and CFO increasing to 55.48 million. The payout ratios were again over 100% (of net income) and 61% of CFO. The big improvement came in the next fiscal year. In 2016, total dividends paid were \$33.81 million with net profit totaling \$65.58 million and CFO totaling \$66.67 million. The dividends were 51.5% of net profit and 50.7% of CFO.

With a dividend cut now several years in the past, and payout numbers that are very reasonable for a defensive company in a mature industry, investors may want to take a good look at this name.

The technical indicators show a security which has experienced a solid increase over the past year.

The opportunity for investors has been the sideways to down movement over the past four months. Currently, the stock is trading below the 200-day simple moving average (SMA) with the 10-day SMA and 50-day SMA in lockstep with the share price. Again, this is not a very volatile security.

Looking at the capital structure of the company, the total number of shares outstanding has remained relatively flat over the past three years, while debt has not varied by more than \$17 million per year. As of December 31, 2016, total debt stood at close to \$170 million.

With only minor changes in the capital structure, investors should be able to count on the lucrative 5.75% dividend with the hopes of either getting a raise of enjoying a share buyback.

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