Diversify and Get Dividends With These 3 Stocks

Description

Capital Power Corp. (TSX:CPX) is a power-producing company based in North America and has 24 facilities there. It is a stable and secure company with a long-term future, and it offers a solid dividend of over 6%. Since 2014, the company has increased its dividend three times and could be due for another one this October.

Last October, Capital Power increased its dividend to \$0.39, payable every quarter, up from \$0.365 for an increase of 6.8%. Prior to that the company increased dividends by 7.3%, and 7.9% the year before. In its annual report, the company mentioned that it planned to grow dividends in 2017 and 2018 by 7% annually. If this is true, then we should expect the dividend to be over \$0.41 later this year.

If you look at the company's payout ratio just by looking at earnings per share or overall net income, it can be a bit misleading given the high amount of depreciation the company incurs on annual basis. When looking at cash from operations, the company is paying out approximately 45% of that total. Looking at free cash flow, the company has been paying around 60-75% of prior year totals. The company maintains it is looking to increase the dividend. In the worst-case scenario, I would expect a reduced dividend increase or no increase at all rather than a cut.

First National Financial Corp. (ISX:FN) is a lender of residential and commercial mortgages and an investor in short-term mortgages. Currently, First National pays a strong dividend of 7% and has a history of increasing the dividend.

The company has been paying and increasing the monthly dividend since 2011. The most recent dividend increase was earlier this year, when the company increased its monthly distribution from \$0.1417 to \$0.1542, or an 8.8% increase. The dividend in the prior year was increased 9.6%, and 3.4% the year prior to that. Certainly, there will be variation year to year based on how the company is performing, but overall, First National has a good record of regularly increasing its dividend.

There should be no imminent concern regarding payouts either, as the company has earnings per share of \$3.27. The total annual dividend per share currently totals \$1.85, or just 57% of earnings.

Chorus Aviation Inc. (TSX:CHR) holds several aviation interests and owns Jazz Aviation LP (a contract carrier for **Air Canada**). Currently, Chorus pays a \$0.04 dividend monthly which yields a return of over 6.2% of its current stock value.

Chorus has been paying monthly dividends since 2014 (and prior to that it was paying quarterly dividends since 2012). The last dividend increase came in 2015, when the company increased it from \$0.0375 to the current dividend for an increase of 6.6%.

With earnings per share of \$0.66, the company's annual payouts of \$0.48 make for a reasonable ratio of 73%. The past five quarters for the company have shown consistency in revenue, so the dividend may not see an increase until the company is able to have some sustainable growth. However, at over

6%, it presents a good annual dividend.

The three companies listed here offer strong dividends in three different industries to help you diversify your risk while adding to your monthly income.

CATEGORY

- 1. Dividend Stocks
- 2. Energy Stocks
- 3. Investing

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1. Editor's Choice

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- 2. TSX:CPX (Capital Power Corporation)
- 3. TSX:FN (First National Financial Corporation)

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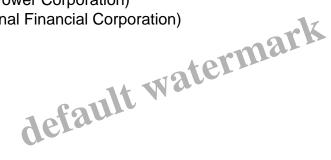
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