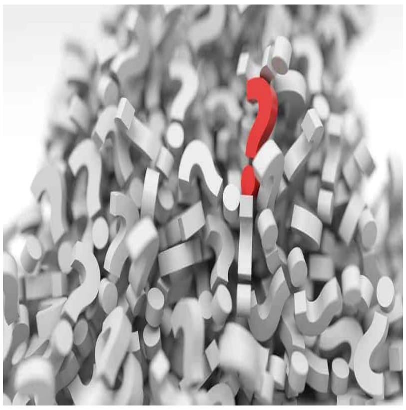

Does This Company's High Dividend Yield Make it a Good Buy?

Description

Income investors are often looking for good dividend yields, but there are other numbers you should consider when looking at a stock purchase. Let's examine one Canadian clothing retailer with a high yield to see how it's performing overall.

Reitmans (Canada) Limited (TSX:RET.A), first opened in 1926, is a Montreal-based women's clothing retailer. Many other clothing stores have come and gone, but this company has managed to stick around. Reitmans operates under more than one brand. It also owns specialty stores Penningtons, AdditionElle, and Thyme Maternity. Reitmans closed its Smart Set stores last year, which helped it decrease its operating costs by over $10 million.

Reitmans by the numbers

After closing 90 stores to consolidate its performance, Reitmans finished its fiscal 2016 year with sales of $952 million, an increase of $14.8 million over 2015. Its overall net profit, though, is a rather slim 1.08%. Its return on equity also sits at a less-than-stellar 2.87%.

Where Reitmans does well is in its dividend offering. Reitmans currently has a quarterly dividend of $0.05 per share for $0.20 annually. This gives it a healthy dividend yield of 4.49%. The dividend has remained at $0.05 per share since 2014, meaning Reitmans is consistent with its payout — something income investors should look for.

Reitmans is also poised to do well with a higher Canadian dollar, because this increase will give the company more buying power with its foreign suppliers should the loonie continue its upward trend.

The company is also trading closer to its 52-week low, around the $4.45 mark. Its 52-week low was $4.20, while its high was $7.10. This means Reitmans is likely a bargain if you are looking to buy now.

If you'd like to compare Reitmans to one of its closest competitors, you can look at **Le Chateau Inc.** (TSXV:CTU), which recently transferred to the TSX Venture exchange from the main TSX. Le Chateau's net profit is a negative at -16.10%. Its return on equity is again in negative territory at -124.09%, and it hasn't traded higher than $0.25 over the last year. You can see how Reitmans has been doing better in the women's clothing market. Comparing Reitmans to a larger clothing company (but one that isn't as direct a competitor), **Canada Goose Holdings Inc.** (TSX:GOOS)(NYSE:GOOS) has a net profit of 5.67% and sells much higher, around the $24 mark.

Bottom line

Reitmans offers a solid dividend, but yield is not the only important number you need to consider before you buy a stock. While Reitmans's net profit and return on equity could be better, it's been a solid performer overall and a company with staying power. When compared to some of its closest competitors, Reitmans looks even better. If you want steady dividends from a stable company, Reitmans might be a good bet for you.

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