



It's Time to Look for Buying Opportunities From Tax-Loss Selling

Description

As we near the end of the year, investors might review the stocks in their non-registered accounts that are underwater and sell them at a loss to offset taxes from capital gains.

Tax-loss selling activities may go into December, and it may be an opportunity for you to buy depressed stocks at a value.

Alaris Royalty Corp. (TSX:AD) is a stock that is subject to tax-loss selling. Most investors who've bought the stock in the last five years are sitting on unrealized losses (excluding dividends received). The stock has seen above-average volatility in the last year, as the company has been working on resolving its problem revenue streams.

How the business works

Alaris provides capital to private businesses and, in return, gets paid monthly distributions. It currently has 16 revenue streams, and it aims for long-term partnership with businesses, which generate strong cash flow, in mature industries.

The record on exited partners

Based on the nine partners which have exited, Alaris has achieved success with most investments. Seven streams had rates of return of at least 17%, with six that are 20% or better.

However, there was one bad investment, which had a rate of return of -95% that occurred back in December 2013. This showcases the potential risk that investors are taking when investing in Alaris.



Is Alaris's dividend safe?

Alaris came out with third-quarter results on Monday. And the stock reacted by falling +6%. At \$18.74 per share, the stock now offers a yield of ~8.6%.

Of course, you'd ask, "[Is Alaris's dividend safe?](#)" The company's run-rate payout ratio is under 95%, which may be cutting it too close for risk-averse investors. If we assume a safe payout ratio of ~80% for the company, it will represent a dividend cut of ~25%.

Alaris believes that new revenue from investments and resolutions to some outstanding issues will improve the company's payout ratio over the next 12 months, which should in turn improve the safety of its dividend over time.

Investor takeaway

Investors should look into [this year's losers](#) on the market and potentially buy them on any further weakness if you believe they will be winners in the future.

In the case of Alaris, it should be viewed more as a potential turnaround company rather than a safe dividend stock. The Street consensus from **Thomson Reuters** has a 12-month target of \$24.20 per share on the stock, which represents 29% upside potential in the near term. If a dividend cut were to occur, current shareholders may see a haircut of as much as 25% of their income from the stock.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Tags

1. Editor's Choice

Date

2025/08/22

Date Created

2017/11/08

Author

kayng

default watermark

default watermark