Is This Stock's High Dividend Yield Safe?

Description

Income investors tend to look for increasing dividend payouts and high yields, but they should also investigate a stock's fundamentals. Today, we will look at a stock yielding 5.54% and see if its fundamentals hold up.

Fiera Capital Corp. (TSX:FSZ) is an asset management company that offers both traditional and alternative investment options. It is based out of Montreal and has approximately US$1.7 billion in assets under management.

Fiera Capital by the numbers

The one- and three-year total return numbers for the stock don't look great, sitting at -1% and 1.41%, respectively. (And keep in mind these figures include dividend payouts.) The five-year total return looks much better at 74.23%, so this stock has fallen off the return mark in recent years. The P/E ratio is also sky high at 72.22, so earnings don't come cheap. However, the forward-looking P/E ratio is better at 9.49, so analysts believe the numbers will get better in 2018. Earnings per share sit at $0.22. The stock's total debt-to-net-equity ratio sits at 1.19, so Fiera currently holds more debt than equity.

Looking at the positives, the stock has beaten analyst earnings estimates the past two quarters. For the quarter ending September 30, earnings came in at $0.32 per share, far outpacing the expectations of $0.24 per share. Revenue growth has also averaged around 6% over the last few years.

Fiera has a commendable dividend offering, which currently sits at $0.18 per share. The payout has increased at least one cent per year over the past five years, so the payout is trending in the right direction.

Recent company acquisitions

On December 19, Fiera announced the purchase of 100% of Macquarie Principal Finance's interest in U.K.-based solar assets. In early December, the company announced it is purchasing management of City National Rochdale Emerging Markets Fund for $12 million. The fund focuses on Asian emerging markets. This is not a company that just sits around waiting for money to come in, which is a good sign.

Bottom line

There is a lot to like about the company, from its ever-increasing dividend payout to its revenue numbers. It also has negatives in its overall return numbers and expensive earnings. The yield over 5% is tantalizing and the company is making moves to increase its bottom line. Overall, I think there is more to like than dislike about this stock.

For discussion about other good dividend paying companies, see our recent Fool articles about **Mullen Group Ltd.** (TSX:MTL) and **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI).

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