Dividend Investors: 3 Stocks That Pay 7% That Could Be Great Buys Today

Description

When the markets are soft and not producing great returns, dividend stocks can offer a great way to improve your portfolio's overall returns. A stock that has only a nominal increase in price could more than make up for that with a strong dividend, and that's one of the many reasons that investors love dividend stocks.

High-yielding stocks are attractive, although investors should be careful to review the risk involved and assess the company's long-term future. Typically, once we go north of 5%, the normal course of action is to be skeptical of the company's payouts. However, simply having a high yield doesn't make the stock a risky buy.

Below are three companies that pay their shareholders 7% every year and that could be great long-term buys.

Pizza Pizza Royalty Corp. (TSX:PZA) is one of the nation's top pizza brands, and it's a stock that could have a lot of upside, especially as the economy continues to grow and has more money to spend. The royalty-collecting stock is primarily driven by rising sales rather than profits, although long-term profitability will ensure stores stay operating.

The stock currently pays investors 7% and is a good value buy, as it trades a little more than its book value and only at 14 times its earnings. Year to date, the share price has declined 24%, and it is not far from its 52-week low, making it an attractive price for a stock that can offer a lot of stability for investors.

In four years, the company's sales and profits have risen by only 12.5%, but more importantly, there haven't been any wild fluctuations during that time.

Peyto Exploration & Development Corp. (TSX:PEY) has struggled in 2018, as year to date its share price is down more than 30%. Earlier this year, the company slashed its dividend, as low natural gas prices forced the low-cost producer to free up cash. Even with the reduced dividend, the stock is still paying a strong 7% yield to investors.

The question is how the long term looks, and that's what might make Peyto riskier than investments that don't rely on commodities. However, investors could earn significant rewards for taking on some risk here; not only does the stock have lots of potential to increase in price, but if the situation improves, we could see the dividend get bumped back up.

Gibson Energy Inc. (TSX:GEI) is also exposed to some commodities risk, as the midstream company will benefit from a strong oil and gas industry. However, year to date the stock has declined more than 3%, as it has yet to see a boost from more favourable industry conditions and could be overdue for an increase in price.

It has struggled to stay out of the red in recent quarters, but in its most recent earnings, the company did see strong year-over-year sales growth of 20%.

The stock pays investors a dividend of over 7.5%, which would more than offset its mediocre performance over the past year. However, as the industry continues to pick up, and if oil prices can continue to climb, the stock could see a lot more bullishness come its way.

CATEGORY

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2. TSX:PEY (Peyto Exploration & Development Corp)
3. TSX:PZA (Pizza Pizza Royalty Corp.)

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