2 Canadian Companies With Monster Yields: Should You Add These to Your Portfolio?

Description

The performance of the Canadian stock market has not been great. According to S&P and Dow Jones indices, it has returned only a paltry 1% on an annualized basis over the past ten years. The interesting thing is that the poor returns of the stock market do not reflect the returns that individual dividend stocks may add to your portfolio.

Canada has many excellent businesses that have continued raising dividends while stock prices have been stagnant or are even falling. These companies now have huge payouts that are ripe for the picking. **Alaris Royalty Corp.** (TSX:AD) and **Boston Pizza Royalties Income Fund** (TSX:BPF.UN) have big dividends since the stocks are at reduced prices.

Alaris Royalty Corp.

Currently, Alaris is paying a whopping dividend of almost 10%. The company continues to iterate that the dividend is safe and has even alluded to more dividend increases in the future. Alaris has had a 14% annualized return since its IPO in 2008, with a 240% total return.

One of the biggest advantages of Alaris is the breadth of its revenue streams. Alaris has the goal of having no single royalty stream make up more than 10% of its total revenues, making its income more resilient than royalty companies heavily reliant on one particular source.

While the dividend is fantastic at almost 10%, the higher dividend is largely the result of a falling stock price. For the past year, the company had a number of issues regarding a number of is revenue streams and has been seeking a resolution to these issues. Some of these have already been resolved favourably, building confidence in Alaris's future.

Boston Pizza Royalties Income Fund

Boston Pizza is a Canadian food chain operating in almost every province and territory in Canada. The fund, established in 2002, has a revenue stream tied to franchise sales and is therefore not directly exposed to the day-to-day operations of the restaurant. Since 386 of the company's 390 stores are franchised, a significant amount of revenue goes to the fund.

The fund pays a distribution of close of 7% at current prices. This distribution has been raised 18 times since the fund's IPO. Because this is simply a fund that receives royalty streams from the franchisees, Boston Pizza Royalties is able to pay out almost 100% of distributable cash as distributions to investors.

The biggest issue with Boston Pizza Royalties is that it is reliant on the franchising growth and profitability of the restaurant chain. Since all its cash comes from a single source, the restaurant, it might be more vulnerable to recessions. Also, since the country is Canadian focused, the market might become saturated, resulting in fewer new franchises being opened.

Personally, the stock I would buy would be Alaris due to its diversified revenue stream. Also, given the negativity on the stock compounding negativity on dividend stocks in general, there may be more upside potential. That being said, a 10% dividend indicates that Alaris's dividend may be cut, although management has frequently affirmed its commitment to maintaining the payout.

Both of these companies provide excellent distributions at the current stock prices, and both have a history of increasing these distributions over time. These factors make either a decent choice for dividend investors if you keep the potential risks in mind.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:BPF.UN (Boston Pizza Royalties Income Fund)

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