

2 Little-Known Dividend-Paying Stocks for the Savvy Dividend Investor

Description

Sometimes in the search for [dividend](#) yield, we are taken to unknown places in our attempt to maximize returns and achieve an acceptable level of [diversification](#).

We are all well versed in the many merits of investing in Canada's banking and utilities sectors for dividend income and growth. But here I have two different names — names that represent out-of-the-box thinking in that they are not the traditional names that Canadian investors gravitate toward for yield.

Without further ado, let's take a look at these two stocks.

Acadian Timber Corp. ([TSX:ADN](#))

Acadian is a fundamentally solid company with a strong free cash flow profile, a strong balance sheet, and a very attractive 5.72% dividend yield.

Housing starts will continue to drive demand for Acadian's softwood and hardwood, with forecasts of a 6-8% growth in housing starts for 2018, up from 2.5% growth in 2017.

While the trade war and the softwood lumber duties saga is a definite overhang with this company, the strong supply/demand backdrop should continue to boost the company's bottom line.

Given the company's continued strong free cash flow profile, management made the decision to increase the dividend by 3% in the first quarter of 2018. This follows the 10% dividend increase that was instituted in 2017 and is indicative of management's positive outlook on the business.

Going forward, the company remains on solid footing, with a strong balance sheet and good liquidity and cash flow. As such, management continues to look into accretive acquisitions to drive growth.

And for now, the dividend yield is currently still very strong and continues to provide investors with a solid base return over and above potential stock appreciation.

Extendicare Inc. ([TSX:EXE](#))

Extendicare benefits from a major demographic trend that is in progress today: the aging population.

There are a limited number of healthcare stocks in Canada, especially for investors that are looking for a dividend, so this stock might just be a great addition to your portfolio.

As an owner/operator of long-term care facilities, home healthcare services, and retirement homes in Canada, Extendicare has a strong footing in the care of the aging population.

And with a large proportion of its revenue coming from the Ministry of Health and Long-Term Care, stability and visibility is a key characteristic of the company.

So, with a 6.71% dividend yield, stability of income, and future growth to come from entering the retirement home business, Extendicare stock is a good, steady source of dividend income for investors.

In summary, these two stocks provide investors with solid, reliable dividend income and add the benefit of diversification to investors' dividend portfolios.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ADN (Acadian Timber Corp.)
2. TSX:EXE (Extendicare Inc.)

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