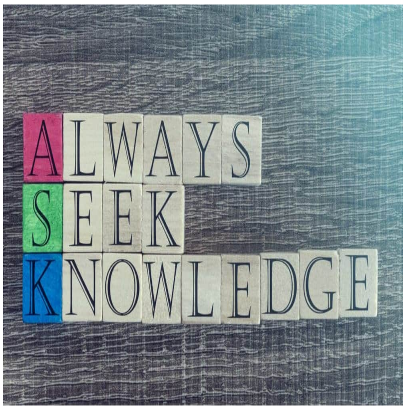

Contrarian Income Investors: 3 Stocks Yielding 5-9%

Description

The pullback in the equity markets is providing income investors with an opportunity to pick up some unloved dividend stocks that now offer very high yields.

Let's take a look at three companies that are under pressure, but pay distributions that should be safe.

Canadian Imperial Bank of Commerce (TSX:CM)(NYSE:CM)

In a move to diversify its revenue stream and build a platform for further expansion in the U.S. market, CIBC acquired Chicago-based PrivateBancorp last year for US$5 billion. The purchase is a solid start to address analysts' concerns that the bank is too reliant on the domestic housing market. CIBC also has a sizeable loan book with Canadian energy companies — exposure that has likely led to some additional downside in the past two months.

CIBC carries more risk than its larger peers, but the bank continues to generate good profits and is well capitalized. The dividend should be very safe and now provides a yield of 5.2%.

CIBC currently trades for less than nine times trailing 12-month earnings, which is a multiple you might expect to see during a financial crisis. The Canadian and U.S. economies are doing well and unemployment is at the lowest level in decades, so the sell-off in the stock might be overdone.

RioCan Real Estate Investment Trust (TSXL:REI.UN)

RioCan is Canada's largest operator of shopping malls, which might not sound too appealing in an era where online shopping continues to threaten traditional brick-and-mortar stores. It is true that some sectors are in trouble and that Canada has witnessed the disappearance of big retail names.

RioCan, however, has been able to find new tenants at equal or better rates for the spaces vacated by bankrupt clients. No single company represents more than 5% of revenue, so the failure of one customer has a limited overall impact.

RioCan is working through a strategy shift. The company is monetizing $2 billion in assets in non-core cities and is focusing resources on new mixed-use developments in six markets. In total, RioCan has said it could construct up to 10,000 residential units over the next decade. The first projects are already near completion.

As the residential assets generate more revenue, cash flow should be better balanced and the company should carry less risk.

RioCan's distribution currently provides a yield of 6%.

Inter Pipeline (TSX:IPL)(NYSE:IPL)

IPL reported strong results for Q3 2018. The company's oil sands and conventional oil pipeline operations are seeing steady demand, and the gas processing division is enjoying the benefits of improved market conditions.

Regarding growth, the company just acquired new storage facilities to boost the European bulk liquids storage operations. Back at home, the $3.5 billion Heartland Petrochemical Complex is scheduled for completion by the end of 2021. When the new polypropylene plant is finished, IPL anticipates annual additional EBITDA of at least $450 million.

The Q3 2018 dividend payout ratio of 55% suggests the distribution should be easily covered. At the time of writing, the stock provides an annualized yield of 8.8%.

The bottom line

CIBC, RioCan, and IPL all pay attractive distributions that should be safe. If you have a buy-and-hold strategy for your income-focused TFSA, these stocks might be interesting picks today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. TSX:CM (Canadian Imperial Bank of Commerce)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date
2025/08/22
Date Created
2018/12/23
Author
aswalker