Want Income Security? Here Are 2 Big Yield Stocks

Description

Cineplex (TSX:CGX) and **RioCan REIT** (TSX:REI.UN) conveniently offer monthly dividends. Their high yields are mesmerizing. Can you depend on them?

Entertain yourself with this 6.2% yield

If you've watched a movie, such as *Aquaman*, *Spider-Man: Into the Spider-Verse*, or *The Lego Movie 2: The Second Part*, lately you've likely watched it at one of Cineplex' 165 theatres across Canada.

Some investors worry about theatre attendance, which merely increased by 15% over the past 10 years and have been declining since 2015.

On the bright side, box office per patron increased by 27% in the period thanks to premium offerings, including D-Box, VIP cinemas, UltraAVX, etc. Further, theatre food service revenue has seen the most solid growth of nearly 80%, equating to a compound annual growth rate of 6% over the period. One reason is that it seems moviegoers don't mind paying ever-higher bills to snack while they watch their favourite movies.

Cineplex has formed partnerships to improve its offerings of food and entertainment, including Topgolf, CJ 4DPlex, and VRstudios. Certainly, the company hopes to drive future growth with these investments.

The most pressing question that investors have is whether Cineplex' juicy dividend is safe. Based on net income, it surely isn't, as it would imply a trailing 12-month (TTM) payout ratio of 137%. However, based on its operating cash flow generation, its TTM payout ratio would only be about 45%, which makes the dividend sustainable.

Cineplex also reports an adjusted free cash flow payout ratio, which is a better gauge for its dividend safety. In the first nine months of 2018, this payout ratio was 63.5%, an improvement from 2017's 75.3%. So, Cineplex' dividend seems safe.

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Get a 5.8% yield from this real deal

RioCan REIT (TSX:REI.UN) is one of the largest and sturdiest real estate investment trusts in Canada for stable monthly income. It generates about 84% of its rental revenue from retail properties in six major markets in Canada, including 45% from Toronto.

RioCan's recent committed occupancy is 97%, which is very solid. It has about 45 million square feet of net leasable area. However, at least over the next few years, it'll predominantly be developing mixed-use properties, which require a lot of investment.

It last reported about 26 million square feet of development pipeline, of which 45% was approved for zoning (mostly for mixed use). So, don't expect too much growth from the stock — growth that matches inflation would be reasonable.

Since October 2017, RioCan has been working on selling $2 billion of non-core assets in secondary markets. The proceeds will probably be used for its development pipeline.

RioCan has its eyes set on the six major markets, including Vancouver, Edmonton, Calgary, Montreal, and Ottawa, where population growth is estimated to be more than three times that of secondary markets.

The REIT's funds from operations payout ratio declined from roughly 85% to about 78% recently. For a REIT, this high payout ratio is actually pretty reasonable and indicates a safe dividend. As of writing, it offers a yield of 5.8%.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CGX (Cineplex Inc.)
2. TSX:REI.UN (RioCan Real Estate Investment Trust)

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