Yield Hogs: These 3 Stocks All Pay +10% Dividends

Description

For many retirees, especially for those with limited savings, bigger dividends are ideal.

The logic is simple. A $200,000 nest egg can only spin off $6,000 per year in annual income at a 3% yield, which is nothing more than a nice start. But that same portfolio can generate $20,000 annually if it yields 10%. That income, combined with CPP payments and other government programs, can be the difference between a comfortable retirement and running out of capital.

There’s just one problem: finding a sustainable 10% yield is hard. Once a stock hits a double-digit percentage payout, it’s obvious there are some issues there.

Let’s take a closer look at three of Canada’s top yielders and see if they can afford to keep paying their generous dividends.

Just Energy

Just Energy Group (TSX:JE)(NYSE:JE) has not been a good dividend payer over the years. The company has slashed its distribution twice in the past five years, including cuts in both 2014 and 2015. To the company’s credit, however, it has maintained its $0.50/share annual dividend since 2015. The current yield is 10.6%.

One issue plaguing Just Energy is its lumpy earnings history. Its annual income swings wildly from profit to loss seemingly on a yearly basis mostly due to gains or losses booked by various non-cash charges. The company will sometimes lose money (or gain money) on energy futures contracts, which it uses to set a fixed price for customers.

Once we strip away those expenses, Just Energy’s cash flow is much more consistent. For instance, for the first nine months of the company’s fiscal 2019, it reported a loss of $35 million, but funds from operations were a much more robust $76 million. Dividends, meanwhile, were approximately $66 million for the same period. That means Just Energy’s payout is sustainable, at least in the near term.

Supremex

Supremex (TSX:SXP) is a dominant player in a dying industry. The company is Canada’s largest envelope manufacturer, which was an enviable position 40 years ago. These days, not so much.

Management is taking all the steps they should in a situation like this. Profits are being reinvested into diversifying away from envelopes, including things like boxes and other online shipping solutions. The company is cutting costs and closing plants as well.

Supremex is one of Canada’s cheapest stocks. Shares trade hands at just 0.2 times sales and at just five times projected earnings. Shares also sit at approximately 80% of book value. No matter how you slice it, the conclusion is obvious: Supremex is cheap, but it’s easy to see why.

If the company can hit earnings expectations this year, the dividend-payout ratio would be just 58% of earnings. That’s a fantastic dividend-coverage ratio for a stock yielding 10.2%.

Slate Office

Slate Office REIT (TSX:SOT.UN) is a small-cap REIT that owns office buildings across Canada and into Illinois in the United States. Approximately 46% of the 7.9-million-square-foot portfolio is located in Ontario.

The company acquires real estate with a value focus in mind, trying to pay under replacement value for its assets. 2018 was a busy year; Slate acquired some $500 million worth of real estate, all of it at a significant discount to replacement cost.

Still, there are some big negatives surrounding the stock. The trust is externally managed — something investors never want to see. Debt is also an issue, coming in at more than 60% of assets. A debt-to-assets ratio exceeding 50% is usually considered high with an office REIT.

Finally, there’s the 11% dividend, which has exceeded adjusted funds from operations for a while now. The company has mitigated that somewhat with a dividend-reinvestment program, which gives investors their payout in the form of new shares, but management must bring the payout down.

The bottom line

At this point, it looks as though Supremex and Just Energy have secure payouts — at least as secure as you can get yielding +10% — while Slate Office’s dividend could be cut at any point.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:RPR.UN (Ravelin Properties REIT)
2. TSX:SXP (Supremex)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing

Date
2025/08/22
Date Created
2019/02/21
Author
nelsonpsmith