



Income Investors: Stash This High-Yield Dividend Stock in Your TFSA for the Long Haul

Description

TFSA investors looking to maximize their tax-free income can [benefit from high-yield dividend stocks](#). Though high yields are enticing, there are other important factors to consider, such as the company's growth prospects and financial strength. Let's take a look at a company that provides many of these benefits: **Alaris Royalty** (TSX:AD).

Helping businesses expand

Alaris partners with private businesses to help them grow. By investing primarily in non-control preferred equity, Alaris allows its partners to avoid having to rely on significant amounts of debt to fund their day-to-day operations. Alaris does not haphazardly choose which businesses to partner with. The company follows stringent rules to avoid the possibility of teaming up with a firm that is bound to fail.

Alaris focuses on businesses that are market leaders in their respective industries and have visionary management teams. The ability to generate substantial amounts of cash flows is another essential criterion Alaris pays attention to.

Alaris operates primarily in North America, and the majority of its partners are located in the U.S. The overwhelming majority of Alaris's partners occupy two sectors: business services and industrials. The company generates revenue primarily from royalties. Some would argue Alaris's business model puts the company at risk of incurring significant losses during recessions.

However, the company boasts a very strong balance sheet, with more than enough capital to cover debts. With a current ratio of 4.34 and a quick ratio of 4.09 (at the time of writing), Alaris has more than enough resources to meet its short-term debt. With a beta of 0.96, Alaris stock is not particularly volatile, either.

Growth prospects

There are no shortages of businesses in which to invest. Alaris can keep its revenues and earnings afloat by partnering up with new firms. Late last year, Alaris made two significant investment. The first was with Body Contours Centers: a company that provides various healthcare services.

Alaris contributed \$46 million, with an option to contribute an additional \$45 million depending on Body Contours's results. In November, Alaris invested \$46 million to GWM Holdings: a company that provides digital marketing solutions for advertisers. Alaris possesses enough capital to continue backing successful firms.

Alaris has paid dividends consistently over the past 10 years. The company's dividend payouts have increased by 97% since 2009. Alaris also pays dividends on a monthly basis. Indeed, the company considers returning capital to investors by way of dividends to be very important — to the point of boasting its track record of “creating the optimal dividend stream for investors.”

The bottom line

Alaris provides several benefits to investors. First, a juicy dividend yield of 8.40%. Second, a monthly dividend payout. Third, a business model capable of sustaining earnings growth provided the company chooses its partners wisely. Purchasing shares of Alaris may just be what your portfolio needs.

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