2 Soaring High-Yield Stocks to Watch Today

Description

A number of previously struggling high-yield stocks are now hitting new 12-month highs, and more gains could be on the way.

Let's take a look at **RioCan REIT** (TSX:REI.UN) and **BCE** (TSX:BCE)(NYSE:BCE) to see if one deserves to be on your buy list.

RioCan

RioCan launched a strategic shift in late 2017 and spent most of last year implementing a big chunk of the transition. The company intends to divest up to $2 billion in non-core properties located in secondary markets with the goal of focusing investment in six major centres going forward. During 2018, RioCan found buyers for 72 assets valued at $1.5 billion.

The company used part of the proceeds to buy back and cancel 22.9 million trust units for an average cost of $24.51 per unit and a total expenditure of $561.2 million. At the time of writing, the trust units are trading for $26.51, so the company's investment in the share repurchases was timed appropriately.

RioCan is developing mixed-use properties that have residential units combined with retail space. The company intends to build up to 10,000 residential units at its top locations in the key markets over the course of the next decade.

Five projects are already complete or near completion and the average development yield is expected to be 5.7% based on current estimates, which translates into $231 million in incremental value creation at the sites.

RioCan has a solid balance sheet and distribution growth should be on the way as the company completes more mixed-use properties. The current monthly payout of $0.12 per unit provides an annualized yield of 5.4%.

BCE

BCE reported solid Q4 2018 results with a 3% increase in revenue and adjusted net earnings of $794 million, or $0.89 per share, compared to $736 million, or $0.82 per share, in the same period in 2017. For the full year, BCE hit its financial targets and anticipates further growth in 2019. Adjusted earnings per share rose 2.6% and free cash flow increased 4.4% compared to 2017.

In 2019 management is targeting free cash flow growth of 7-12%, so a dividend increase should be on the way in 2020. The company raised the payout by 5% for 2019. The new annualized dividend is $3.17 per share compared to $3.02 last year. That's good for a yield of 5.3%.

BCE continues to invest in its fibre-to-the-premises rollout and that should help widen its competitive moat. Growth is slow and steady and the stock should be a solid buy-and-hold income pick.

The stock hit a 12-month high just below $60 per share in recent days and it wouldn't be a surprise to see the rally extend to the 2016 top around $63.

The bottom line

RioCan and BCE are leaders in their respective industries and pay reliable distributions with above-average yield. Investors are returning to these names now that interest rate hikes appear to be on hold, and more upside could be on the way if the market thinks the Bank of Canada's next move will be a rate cut.

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