



Revealed: 3 Low-Risk Dividend Stocks With Gigantic Yields

Description

Many investors will tell you dividend stocks with yields above 5% are automatically risky. For the most part I agree, but with some big caveats.

No two dividends are created equal, especially in the high yield world. Two identical 6% dividends might be vastly different. Sometimes a payout that high is easily covered by earnings, backed by a solid balance sheet for further protection. And other times an elevated payout is on thin ice, just waiting to be cut. It all comes down to the underlying fundamentals.

Although such stocks are rare, it's certainly possible to collect succulent yields that are also quite safe. We're talking payouts of over 5% here, even with a little dividend growth sprinkled in. These are secure companies — stocks that should perform well even if there's a recession. Let's take a closer look at these three names.

Rogers Sugar

Rogers Sugar Inc. ([TSX:RSI](#)) is about as boring as businesses get. It's a dominant player in the sugar business, as well as more recently expanding into the generic maple syrup sector. There might not be much growth in either, but each business generates plenty of predictable cash flow, which are used to pay investors generous dividends.

Recent quarterly results were fairly typical. Revenues crept over \$200 million for the second year in a row, with adjusted earnings before interest, taxes, and depreciation coming in at just over \$30 million. Free cash flow over the previous 12 months was \$46.4 million, while dividends were just over \$37 million. That translates into a payout ratio just above 80%.

Sure, Rogers hasn't hiked its payout in years, but many investors don't really care. They're getting a 6% yield today on a stock trading at just 13 times forward earnings expectations. And the stock has a beta of just 0.68, meaning that it should hold up pretty well during periods of weakness.

BCE

Like Rogers Sugar, **BCE Inc.** ([TSX:BCE](#))([NYSE:BCE](#)) isn't likely to ever post stellar growth numbers ever again. The company is a mature player that depends on acquisitions to really boost the top line. Organic growth is limited to just 3-5% every year, with most of that coming from increases to current internet, television, and mobile phone subscribers.

Still, BCE still has plenty going for it, especially as a rock solid dividend investment. Telecom is a great business that is incredibly recession resistant, making the stock a terrific investment for those investors who are a little worried about the market taking a step back soon. BCE is in a comfortable monopoly situation with its largest competitors, meaning that Canadians pay some of the highest telecom fees in the developed world. That's bad for the Canadian consumer, but great for investors.

BCE pays much of its earnings back to shareholders in the form of generous dividends. The current yield is 5.3% and the payout has been hiked each year since 2009.

RioCan

RioCan Real Estate Investment Trust ([TSX:REI.UN](#)) is one of Canada's largest retail landlords, owning 233 different shopping complexes totaling more than 39 million square feet of total leasable area. Simply put, RioCan owns some of Canada's finest retail space, meaning that the company is well positioned to weather a recession. A retailer isn't going to pull out of a prime location just because business suffers for a few months.

The more exciting part about an investment in RioCan (and why I bought shares) is because of the company's development pipeline. RioCan has dozens of properties located in dense urban areas with potential higher than current use. The company has plans to redevelop these properties into something featuring both retail and residential space. In total, the development portfolio has potential to add more than 12 million square feet of leasable area over the next decade or so.

In the meantime, RioCan offers an attractive 5.4% dividend, a payout that recently dipped below 80% of funds from operations. And it's also backed by one of the best balance sheets in the whole REIT universe.

CATEGORY

1. Dividend Stocks
2. Investing
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TICKERS GLOBAL

1. NYSE:BCE (BCE Inc.)
2. TSX:BCE (BCE Inc.)
3. TSX:REI.UN (RioCan Real Estate Investment Trust)
4. TSX:RSI (Rogers Sugar Inc.)

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Date

2025/07/19

Date Created

2019/04/01

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