
This 8%-Yielding Stock Is on Sale Again

**Description**

Getting a big yield from Canadian stocks has gotten more difficult as the Canadian market has roared ahead. Large dividend-paying companies like **BCE** (TSX:BCE)(NYSE:BCE) have bounced back so quickly that their stock prices are pushing to new highs. BCE, with a yield of 5.25% as of this writing, may soon move into the 4% range if the stock price continues to increase.



Growth concerns and fears over potentially falling rates have driven income-seeking investors back to these names after running from them a mere half a year ago. Since the herd has moved back in, these yields are not as appealing as they once were.

Luckily, there are still companies that offer juicy yields if you are willing to take on a bit more risk. You have to move away from the large-cap companies to find them, but they do exist. **Alaris Royalty** (TSX:AD) is one company that can give you a huge dividend with relatively low downside risk. In this article, I will provide you with three reasons why you should add this company to your dividend portfolio.

## This stock is cheap

Currently, Alaris is trading at a trailing price-to-earnings ratio of around 11 times earnings. It also trades at a reasonable price to book of 1.2. Its balance sheet is also in pretty good shape, with very little current debt and liabilities due within a year. It also has a significant amount of cash on hand — over $22 million.

Its long-term debt is a little higher than I would like, but the large majority of the debt will not begin to be due for another three to four years. Some of that debt is floating bank debt that is exposed to interest rate moves, which could be either positive or negative depending on the future of interest rates.

## The company is making money

The year-end financial results for Alaris were quite good, making this a relatively sound investment. Total revenues for the year increased by 12% over 2017's results. It also experienced a 16.4% increase in net cash from operating activities, which will help support its dividend payments in the future.

91% of its revenues come from the United States, meaning that a strong U.S. economy will help drive earnings. It is also diversifying its business exposure away from healthcare into business services, consumer products, and industrials. Over time, a more diversified asset base is helping to stabilize cash flow. The diversification is a critical factor to support Alaris's massive dividend.

## The dividend is amazing

Alaris pays a huge dividend of close to 9% at the current share price. The company's dividend is quite secure at the moment with a payout ratio of 90% of net cash flows from operations. It is Alaris's goal to reduce the payout ratio while continuing to grow the dividend over time. The monthly dividend was raised in November by 1.8%, increasing it to $0.1375 a share from the previous $0.135 a share.

Of course, a high yield like this carries added risk. The dividend is dependent on the company's ability to generate cash from its royalty streams. It has had trouble collecting payments from some companies in the past. If payment issues from other companies were to become more prolific, it could impact Alaris's ability to pay the dividend.



## Buy Alaris in moderation

Dividend investors should add shares of Alaris to their income portfolios. The company is cheap, generates a lot of cash, continues to grow and diversify its revenue streams. While this is a riskier stock, so I wouldn't dump all my hard-earned money in it, but it is worth allocating a smaller amount of your capital to this high-dividend payer.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

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