



Buy These 3 Secret Dividend Stocks Today

Description

Many dividend investors prefer high-yield stocks with juicy payouts.

There's certainly nothing wrong with that approach, but there are better ways to achieving big streams of income. The catch is that you'll need to buy the dividend *before* it gets big.

This isn't as difficult as it sounds, although it does take some patience.

While the stocks on this list don't have a huge dividend yield today, their high levels of cash flow and limited capital expenditures mean they could pay a massive payout whenever they deem fit. Potential yields could be as high as 10%.

If you're looking for great dividend stocks and want to buy low, these three picks should be at the top of your list.

Alimentation Couche-Tard

Alimentation's (TSX:ATD.B) 0.6% dividend seems like a joke for high-yield investors, but ignoring this payout is a big mistake.

Alimentation is the largest company in Canada by revenues. That's impressive considering shares were just \$4 apiece in 2008. Today, they're above \$80.

While breakneck growth rates have benefited shareholders immensely, the company seems to be hitting some limits.

Already, it has 2,170 stores in Canada, 9,000 stores in the U.S. and nearly 5,000 locations elsewhere in the world. Industry fragmentation leaves plenty of runway, but it's unlikely that Alimentation will grow at its historical rates.

Instead, expect the company to redirect growth capital to boost the dividend.

Over the last 12 months, the company has generated roughly \$2.6 billion in free cash flow. If it paid out this sum as a dividend, the yield would be more than 5.5%.

Don't expect that jump to occur overnight, but over the next few years, anticipate Alimentation boosting its dividend by double-digit rates every year.

Sandstorm Gold

Sandstorm ([TSX:SSL](#))([NYSE:SAND](#)) is another company that's generating high levels of cash flow capable of producing a dividend of more than 5%. For now, other opportunities are masking what could be a sizable payout.

For example, the company is [repurchasing](#) more than 18 million shares. Management believes the market has grossly mispriced the stock and is taking advantage through a buyback program.

If the company paid out these funds as a dividend instead, the yield this year would be above 10%. It makes sense, however, to put the money into a buyback program if shares are, in fact, underpriced.

Over the next six years, Sandstorm is expected to generate more than \$550 million in cash flow from operations. With an asset-light business model, most of this should convert to free cash flow. If paid out, the dividend would average roughly 7.5%.

Again, don't expect the jump to occur overnight, especially if the company continues to find valuable investment opportunities. Just don't be surprised to see Sandstorm eventually pay a 5% dividend or more based on the current trading price.

Constellation Software

Constellation ([TSX:CSU](#)) is a classic case of "hidden" cash flows masking what otherwise would be a huge dividend.

Today, the dividend is just 0.5%. That could change quickly if management opts to redirect its cash flow.

As a software company, Constellation earns huge margins on its sales. With high recurring revenues, it can count on these big-margin sales for years to come, sometimes decades.

Operating cash flow last year was \$833 million, up from \$364 million in 2014.

Due to its asset-light strategy, Constellation could likely pay out up to 80% of this cash flow without impairing the business. If it did so, the dividend yield would be above 3%.

That still doesn't seem overly impressive, but considering Constellation is growing cash flows by 10% to 20% annually, the yield could easily reach 5% or more based on today's cost basis.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:CSU (Constellation Software Inc.)
2. TSX:SSL (Sandstorm Gold Ltd.)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/08/23

Date Created

2019/06/02

Author

rvanzo

default watermark

default watermark