



Get Huge (+10%) Yields From These 3 Jumbo Dividend Stocks

Description

If income is good, then more income is better. Right?

In theory, sure. Collecting an 8% dividend is twice as good as getting 4%, especially for a retiree looking to live off the income. But there's just one problem: the 8% payout is almost always riskier than its lower counterpart.

This is why I'm such a [big advocate of dividend-growth investing](#). It allows an investor to get some very impressive yields on their original investment as the payout grows over time. But this doesn't help retirees or other folks looking for big income now.

Here are three top TSX stocks that pay massive (+10%) yields — payouts that look safe, at least for the time being.

Just Energy

Most investors avoid energy re-sellers like **Just Energy Group** (TSX:JE)(NYSE:JE) like the plague, likely because they're tired of the company's reps phoning during dinner. The internet is filled with horror stories from former customers who were promised certain rates or other perks from overzealous salespeople eager to earn a commission.

But the business has transformed over the years. A new focus has been placed on internet marketing, which allows potential customers to make better-informed decisions. And Just Energy doesn't just focus on price; it has expanded into presenting itself as a green energy alternative and selling more accessories to customers, like fancy electronic thermostats.

These efforts have helped make earnings a little more stable, which should bode well for the generous dividend. The payout is currently \$0.125 per share each quarter, which translates into an 11.1% yield. A quick glance at earnings — which were negative in the company's recently concluded fiscal 2019 — would indicate the payout isn't sustainable, but management judges the viability of the dividend on base funds from continuing operations. That payout ratio came in at 82%, which is acceptable.

There is one thing investors should remember, however. Just Energy has cut its dividend twice in the last decade.

Chemtrade Logistics

There's nothing sexy about **Chemtrade Logistics Income Fund** ([TSX:CHE.UN](#)). The company provides chemicals to manufacturing operators and governments to use in things like pulp and paper processing, water treatment, and oil refining. It's a competitive business where only price matters. Thus, Chemtrade is resigned to poor gross margins and keeping a laser focus on its costs.

The good news is, chemicals are a remarkably stable business. Sure, demand for some of the final products manufactured by Chemtrade's customers will decrease during a recession, but these are solid industries.

2018 was a bad year for the firm, with net income slumping from \$1.53 per share in 2017 to a loss of \$1.43 per share. But most of that bad news was from a goodwill write-down and costs related to a lawsuit — items that shouldn't repeat themselves in 2019.

Distributable income, which the company uses to determine the health of its dividend, was solid last year, coming in at \$1.61 per share. The payout is currently \$1.20 per share each year, giving us a payout ratio of approximately 75%. That's rock solid for a stock yielding 13% today.

American Hotel Properties

I recently purchased **American Hotel Income Properties REIT** ([TSX:HOT.UN](#)) shares, but not because of the enticing 13% yield. I was excited because the stock [is just so darn cheap](#).

The company owns 112 different hotels across 89 different cities, all located in the U.S. and ranging from bargain chains to upscale joints. The last few years have seen the company make a series of acquisitions to expand its empire but that have come with increased debt. An obligation to renovate certain hotels hasn't helped either.

In 2018, the company reported adjusted funds from operations of US\$0.65 per unit. It paid out US\$0.65 per unit in distributions. Management expects that number to increase in 2019 because the renovation program is mostly over, but it's obvious investors are spooked. This is why shares currently yield 13%.

But I choose to look at the stock a different way. Shares trade hands at \$6.70 each as I type this. Adjusted funds from operations in 2018 convert to \$0.87 per unit in Canadian currency. That puts shares at just 7.7 times that metric. You won't find many REITs cheaper than that.

CATEGORY

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TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)
2. TSX:HOT.UN (American Hotel Income Properties REIT LP)

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Date

2025/08/24

Date Created

2019/06/04

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