# TFSA Investors: 3 Under-the-Radar Dividend Studs Paying Up to 8.2%

## Description

Investors spend a lot of time focusing on Canada's largest companies for a few very good reasons.

For the most part, our biggest stocks have fantastic business models, a history of market-beating returns, and competitive advantages that can't be beaten. In short, everyone pays attention to them because they deserve it. This historical success continues, which makes it all the more likely investors pay attention going forward.

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In other words, buying quality companies is a way to create your own perpetual compounding machine.

There's just one problem. By focusing on the 100 or so large caps that dominate the **TSX Composite Index**, dividend investors are missing out on some interesting under the radar names. These companies should not be written off. Some dominate niche industries. Others have nice growth potential. Some trade at incredibly low valuations. And many are natural takeover targets for larger companies.

Let's take a closer look at three of Canada's more interesting small-cap stocks, all companies that pay a generous dividend.

## Gamehost

**Gamehost Inc.** (TSX:GH) is a casino, hotel, and restaurant operator based in Alberta. The majority of its assets are tied up in three different casinos located in Calgary, Grande Prairie, and Fort McMurray.

The last few years haven't been great for Gamehost. First the Alberta economy weakened as energy prices collapsed. Then a large wildfire threatened its Fort McMurray property. The structure avoided any major damage, but results from the region took a hit. Recent minimum wage hikes in the province also temporarily helped, but that impact appears to be over. It seems like profit will never go back to 2014's peaks.

Once the Alberta economy gets better, it's obvious that Gamehost shares will rebound. The stock is currently languishing under $10; shares traded as high as $16 each while the province was booming. The stock also pays a handsome dividend of 7.2%. Look for that payout to increase once today's economic uncertainty is in the rear-view mirror.

## Medical Facilities

**Medical Facilities Corporation** (TSX:DR) owns, along with various physician partners, eight ambulatory surgery centers and five specialty surgical hospitals spread over 11 different cities in the United States. These 13 facilities generate approximately US$430 million in annual rent.

The company is well positioned to continue growing, too. It has close to $50 million in short-term investments and cash, versus a market cap of $391 million. There are thousands of potential acquisition targets in the U.S., too. Management has done a nice job of increasing revenue by more than 50% since 2013 while decreasing the number of shares outstanding.

Shares are down significantly over the last three months, falling close to 25%, which represents a great buying opportunity for long-term investors. The current dividend is a whopping 8.2%, a payout that comes with a payout ratio under 80% for the last year. In other words, the distribution is secure.

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## Sleep Country Canada

Bears say **Sleep Country Canada Holdings Inc**. (TSX:ZZZ) is about to get disrupted by the online mattress industry, retailers that will ship a cheap mattress anywhere at a cheaper price than Sleep Country can offer.

Sleep Country silenced many of these critics by acquiring Endy, Canada's leading mattress in a box retailer, back in November. Still, shares are down 43% over the last year.

Sleep Country has faced competition from other furniture retailers for as long as it has been a publicly traded company, yet it still managed to increase annual revenue by more than 50% from 2014 to 2018, boosting the bottom line to $1.59 per share in 2018. Shares currently trade hands at just over $19 each, giving the stock a P/E ratio of approximately 12x. That's downright cheap, especially considering the long-term growth potential of the Endy business.

Sleep Country has also hiked its dividend each year since its 2015 IPO. The current payout is $0.78 per share annually, which works out to a 4% yield.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:DR (Medical Facilities Corporation)
2. TSX:GH (Gamehost)
3. TSX:ZZZ (Sleep Country Canada)

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**Date**
2025/06/30
**Date Created**
2019/06/17
**Author**
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