



Boost Income and Growth With This Very Juicy 9% Yield

Description

Seeking to accelerate wealth creation? Then look no further than **Labrador Iron Ore Royalty** ([TSX:LIF](#)), which, after allowing for its special dividends, has a trailing 12-month dividend yield of almost 9%.

Improved market conditions

Labrador Iron Ore is not engaged in the hazardous activity of mining but rather owns a 15.10% equity interest in **Iron Ore Company of Canada**, which is a subsidiary of global mining giant **Rio Tinto**. Iron Ore Company of Canada is engaged in the mining and processing of iron ore at its facilities in Newfoundland and Labrador. It has the capacity to produce 18 million tonnes of iron ore concentrate annually.

Labrador Iron Ore receives a 7% gross overriding royalty and a \$0.10 per tonne commission on all iron ore products produced, sold and shipped by Iron Ore Company of Canada. The company has benefited from the spike in [iron ore](#) prices caused by diminished supply after Brazilian iron ore mining giant **Vale's** tailing dam collapsed at its Brumadinho operation in Brazil. That event caused spot prices to spike to over US\$90 per tonne, and the price has been climbing ever higher to be US\$120 per tonne on July 18, 2019.

The outlook for iron ore is quite bullish for a range of reasons, aside from diminished supply. According to analysts at Citibank, a combination of supply constraints, robust Chinese steel demand, and increased industrial activity in China will support prices at over US\$100 per tonne. Recent news that a full-blown [trade war](#) between the world's two largest economies, China and the U.S., has been averted supports that thesis.

Growing production

This is good news for Labrador Iron Ore, which, for the first quarter 2019, reported that revenue had popped by 14% year over year while cash flow was 23% higher, and net income had shot up by an impressive 30% to \$0.69 per share.

As a result, Labrador Iron Ore declared total dividends for the first quarter of \$1.05 per share comprised of is regular \$0.25 dividend and a special dividend of \$0.80. For the second quarter, the company announced a special dividend of \$0.65, bringing the total payment to \$0.90 per share.

Higher production at Iron Ore Company of Canada, along with firmer iron ore prices, will support additional special dividend payments.

You see, 2018 iron ore production was impacted by a nine-week labour stoppage at Iron Ore Company of Canada's operations during the second quarter 2019. First-quarter production of 4.2 million tonnes was 5% greater than the equivalent period in 2018. The combination of productivity improvements and an additional pit coming online by the third quarter 2019 will support further production growth, thereby boosting earnings.

With iron ore hovering at around US\$120 per tonne and Iron Ore Company of Canada's production expanding, it is expected that Labrador Iron Ore will reward shareholders with further special dividends over the remainder of 2019 and into 2020.

Foolish takeaway

That bodes well for investors to be able to collect a juicy yield of around 9%, while the company's stock appreciates in value. Labrador Iron Ore has gained 43% since the start of 2019, and it isn't difficult to see further modest gains because of the favourable environment for iron ore, making now the time to buy.

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