3 High-Yielding Dividend Stocks on the Verge of a Breakout

Description

When looking for high-yielding stocks, investors really have to do their homework. It's highly unlikely that top-quality stocks will be offered to investors at such juicy yields.

More likely, it will be embattled companies the market thinks may not survive their ongoing issues. This presents opportunities for the investors willing to do the work and research.

Below are three companies whose dividends yield more than 8% and that look as though they might be better positioned than the market is currently pricing them.

The three companies include **SIR Royalty Income Fund** (TSX:SRV.UN), **Gamehost** (TSX:GH), and **Alaris Royalty** (TSX:AD).

SIR Royalty

SIR Royalty Income Fund owns the trademarks associated with a number of large restaurants and concept restaurants mostly in southern Ontario.

The fund receives a 6% royalty on all sales in the restaurant pool. Currently, the annual distribution is $1.26 and trailing 12-month earnings per share are $1.52, so the dividend looks sustainable at current levels.

What is really worrying for the market is the expectation that consumers may cut back discretionary spending, such as eating out at restaurants, if the economy starts to slow down.

While this is a threat, the makeup of SIR's royalty agreement, means its sales would have to decrease by a substantial amount to bring down earnings per share the ~20% it would need to no longer cover the dividend.

Furthermore, the company has seen an increase to same-store sales for the last two years. It seemsas though SIR may be a deal too good to pass up, currently yielding a whopping 9%.

Gamehost

Gamehost is a gaming and hospitality company that is headquartered in Alberta. Due to its operations being in Alberta and the ongoing issues in the oil and gas sector causing problems for the Albertan economy, the stock has been sold off. The stock continues to make new 52-week lows.

Although there aren't many catalysts for a rebound in economic activity in Alberta in the near term, Gamehost isn't in as bad a shape as the market is pricing it. The dividend is yielding more than 8% and although the payout ratio is greater than 100%, it barely outpaces it.

If a dividend cut was needed, it would be small and most likely short term, as the company bides its time waiting for a rebound in the economy.

Gamehost has gotten pretty cheap as of late, trading at a P/E ratio of just 13 times at these depressed earnings levels. When the economy turns around, Gamehost will be poised for big growth in earnings and the dividend.

Alaris Royalty

Alaris is always one of the top stocks I recommend for income. The company's stated long-term goal is to create the optimal dividend stream for investors.

At first glance, the high dividend yield may seem worrying; however, Alaris is regularly traded with a high dividend yield, as the market always assumes it may have trouble with its portfolio.

Alaris, however, has proven to be a top investment company. The company has an impressive 73% return on investments it has exited, including losses.

The company takes advantage of unique circumstances in business owners and operators lives and then gets creative to structure deals that best fit with the entrepreneurs needs.

This allows Alaris to be flexible and make a deal that all can agree on but also allows it to structure deals to give itself exposure to both income and capital appreciation.

Currently, the dividend yields more than 8.25% and pays $1.65 annually. The P/E ratio shows just how cheap it's trading, at just over 10 times earnings.

Bottom line

Each of these companies is on the verge of a breakout and offers investors attractive dividends to hold for the long term.

CATEGORY

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:GH (Gamehost)
3. TSX:SRV.UN (SIR Royalty Income Fund)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Investing
3. Stocks for Beginners

Date
2025/07/03
Date Created
2019/08/20
Author
danieldacosta