TFSA Investors: This Recession-Proof Stock Pays a Sweet 6.8% Yield

Description

Alarm bells are going off across North America, as investors start preparing for what many think will be an imminent recession.

Bears point to an inverted yield curve, which happens when short-term bonds yield more than their longer-term equivalents. This has been a remarkably accurate recession indicator in the past, including predicting the tech meltdown of 2000-02 and the Great Recession in 2008-09.

This has caused many investors to suddenly turn conservative. These folks don't want to lose their hard-earned capital to whims of an emotional the stock market.

If you're of a similar mindset, then I have a great stock for you. It's as boring as you can get, which is exactly what investors should be looking for as we approach a recession.

Boring and predictable

There are few sectors less exciting than the sugar business.

The industry isn't experiencing much growth since Canada is a fairly stable country without a whole lot of population growth. Sugar consumption on a per-capita basis isn't increasing much either, since many Canadians are choosing to eat less of the stuff. Additionally, other sweeteners are gaining market share. High-fructose corn syrup is the main one on the unhealthy side, while more natural choices like stevia are being embraced by folks looking for a healthier alternative.

This lack of growth isn't such a bad thing for **Rogers Sugar** (TSX:RSI). It, along with competitor Redpath, dominates the Canadian sugar market. This duopoly is protected by government-issued tariffs on foreign sugar — a move put into place to protect Canadian farmers. This has created a comfortable market wrapped up tightly by the incumbents. There's zero risk a new competitor shows up and tries to shake things up.

A few years ago, Rogers decided to take some of its very predictable sugar earnings and use them to expand into another sweetener market: maple syrup. Unfortunately, this expansion hasn't gone quite to plan. Recent earnings from the maple syrup division have been weaker of late, and the company has promised further investment into that business unit, so it can protect its market share.

The good news for investors is the recent weakness from the maple syrup division has brought shares down to a pretty cheap valuation. The stock has slumped more than 10% over the last six months, declining from $6 per share down to today's levels of $5.35 per share. The stock trades at 13 times trailing earnings, which is a very reasonable valuation.

Get paid to wait

Rogers offers investors a very generous dividend while they wait out a potential recession.

The current payout is $0.09 per share each quarter — a payout that has remain unchanged since the company was forced to convert from an income trust to a regular corporation in 2011. The company also has a history of periodic special dividends paid to shareholders, most recently in 2013.

The current yield is 6.8% — a very attractive payout in today's low interest rate environment. As a comparison, a five-year Government of Canada bond currently pays out 1.2% annually.

Investors don't have to worry about the security of the dividend, either. The company earns enough to cover the payout with that gap hopefully increasing as the maple syrup division returns to normal profitability.

The bottom line

Rogers is exactly the kind of company you want to own when the market is melting down around you. And considering how short-term results have depressed the share price, perhaps there's even some upside potential to add to that 6.8% yield.

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Date
2025/07/03
Date Created
2019/09/02
Author
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