



This Monthly Dividend-Yielding Stock Could Be the X-Factor in Your Portfolio

Description

If **Alaris Royalty** (TSX:AD) were part of the *Marvel Avengers* universe, it would be Peter Quill, a.k.a. “Star Lord” — a company capable of great brilliance or making mistakes because it went with its heart and missed out on some numbers. You can’t really fault Alaris for missing numbers on occasion. The very nature of its business means there will be ups and downs. You should be aware of that before making any financial decisions regarding the stock.

Alaris declares a dividend every month. Its current payout is \$0.1375 per share, and it sports a dividend yield of 8.28%.

Is the monthly dividend attractive for investors?

How does Alaris declare dividends every month? The company provides alternative financing to private companies (Alaris calls them partners) in exchange for royalties or distributions with the principal objective of generating stable and predictable cash flows for dividend payments to its shareholders.

Basically, it is a capital provider that has invested over \$1 billion to date in over 25 companies for the purposes of management buyouts, recapitalization, growth and acquisitions, generational transfer, and partial liquidity. It prefers to invest in family-owned or controlled businesses.

It doesn’t invest in companies that have a high chance of going obsolete (goodbye high tech), and it doesn’t invest in start-ups. It invests in companies in which the owners don’t want to give up control. Alaris runs a tight ship, with not more than 14 employees. That means it has a lot of money to pass on to its investors.

Now, when you are a capital provider to businesses, you are basically playing the role of a private equity firm. You will spread your bets across companies. Even though Alaris tries to invest in companies that will win all the time, statistically, it’s not possible.

You also have to consider the fact that Alaris lends to companies that other traditional institutions won’t lend to. There will be companies that won’t meet the benchmark Alaris sets for them. That said, Alaris

has generated a 73% return on its positions so far.

What's going right for Alaris?

Alaris has been [turning the corner in recent times](#). The company's results for the June quarter of 2019 showed that it generated revenue of \$27.4 million, and revenue for the first six months of 2019 was \$55.1 million — an increase of 5.6% over the prior-year period.

Normalized EBITDA for the quarter was \$24 million and \$48.9 million for the six months ended June 30, 2019 — an increase of 17.9% and 20.7% on a per-share basis for the three- and six-month periods, respectively. Alaris also recovered \$2 million of previously written off bad debt relating to Phoenix Holdings Limited, formerly known as KMH.

Total gross capital deployment year to date is \$170 million across companies like Amur, PFGP, Accscient, LLC, and ccCommunications LLC. Alaris expects its revenue for the September quarter to be \$30.1 million, while for full year fiscal 2019, sales might reach \$115.3 million.

Alaris is currently trading at a forward price-to-earnings multiple of 10.23, which is really cheap after accounting for its dividend yield of 8.3% and five-year estimated earnings growth of 8%. The stock price is trading around \$19, almost 50% below its all-time high of \$36.

Nine analysts covering this stock have a 12-month average target price of \$22.2 for Alaris, indicating an upside potential of 15%. It wouldn't be a bad idea to allocate a minority stake in your portfolio to Alaris.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Investing

Date

2025/08/22

Date Created

2019/10/13

Author

araghunath

default watermark

default watermark