Buy This Lesser-Known Stock for Its Massive 8.58% Dividend

Description

The best way to achieve financial success in the long term is if you can make your money do the work for you. Put your idle cash to good use is by using it to generate passive income sources. To this end, income investors love high-yield dividend-paying stocks. Are you wondering where to find a dividend-paying stock with consistent payouts and a decent yield?

Alaris Royalty Corp (TSX:AD) might be the ideal stock for you to consider. A relatively unknown company, Alaris is worth taking a serious look at because of its juicy dividend yield and consistent payouts to offer investors. Let's take a look at the company so that you can decide whether Alaris stocks deserve a place in your investment portfolio.

An attractive monthly dividend

Alaris offers dividend payouts every month to its shareholders. The company's current dividend is $0.1375 per share and a dividend yield of 8.58% at the time of writing. Is such a high dividend payout every month sustainable for the company?

Alaris declares dividends every month. The $711.31 million market capitalization company offers alternative funding to private companies. Alaris finances private companies looking for capital without losing its control and ownership. Alaris obliges in exchange for either distributions or royalties.

The main concern for Alaris is to generate a stable and predictable cash flow, which the company can achieve due to how it structures its operations. The consistent cash flow for Alaris allows the company to pay steady dividends to investors.

Essentially, Alaris is a capital provider. The company has invested over $1 billion in more than 25 companies. Alaris allocates capital to facilitate recapitalization, growth and acquisitions, partial liquidity, generational transfer, and even management buyouts. Alaris focuses on controlled businesses or family-owned businesses to work with as partners given its relatively lower risks.

A capital provider that plays it safe

Alaris likes to play it safe. The capital provider does not invest in start-ups, nor in companies that have a chance of becoming obsolete. The primary focus for Alaris is just on companies that don't want to lose control over operations. Alaris isn't a large company in terms of the people that work there. There are no more than 14 employees at the equity firm.

As a safe-playing equity firm with a minimal number of people employed, Alaris has plenty of money left over to pass on to shareholders. While the company tries to invest in companies likely to win, it isn't possible all the time, and that entails the slight risk involved in its business plan.

Alaris invests in companies that traditional institutions generally do not lend money to. There will always be a chance that Alaris gives money to a company that will fail to meet its benchmarks. Regardless of the risk involved, Alaris has a good history of investments, generating a 73% return on investments so far.

The normalized EBITDA for the first six months of 2019, ending on June 30, 2019, was $48.9 million – an increase of 20.7% per share year over year. Alaris also recovered $2 million previously written off bad debt from a company known as Phoenix Holdings Limited.

Foolish takeaway

Share prices for Alaris are $19.40 at the time of writing, and the company is trading at an 11.38 forward price-to-earnings ratio. The numbers are surprisingly cheap given that the company has an estimated earnings growth of 8% over the next five years.

The stock is trading at almost 50% of its all-time high of $36, and analysts peg that Alaris has an upside potential of 15%.

If you're looking for a sleeper stock pick, it wouldn't be a bad idea to allocate a portion of your portfolio to Alaris shares.

CATEGORY

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