



RRSP Investors: Best Dividend Stock in North America

Description

Alaris Royalty (TSX:AD) is a private equity firm [founded in 2008](#) and specializes in management buyouts, growth capital, lower and middle market, later stage, industry consolidation, growth capital, and mature investments.

The firm does not invest in turnarounds, start-ups, industries with large cyclical swings or a declining asset base or any industry that carry the risk of obsolescence.

The firm focuses investing in the following businesses: business services, professional services, information services, healthcare services, distribution & logistics, industrials, consumer products. Alaris has approximately 91% of fair value of portfolio investments in U.S.-based companies.

The company is fairly valued with a price to earnings ratio of 12.68, a price to book ratio of 1.24 and market cap of 787 million. Leverage is utilized sparingly by the company as evidenced by a debt-to-equity ratio of just 0.44. The company has maintained an operating margin of 81.37% and a return on equity of 11.29%.

The company invests in companies raising capital for partial liquidity, [generational transfers](#), recapitalization, and companies who do not want to give up control or chance the added risk that comes with high leverage levels. It usually invests in companies that are individual or family controlled.

The company also offers alternative financing for private businesses in exchange for royalties or distributions, to generate stable and predictable cash flows for dividend payments to company shareholders, focusing on investing in companies based in Europe and North America.

The company usually invests between \$5-\$100 million in companies with an enterprise values between \$10-\$400 million and low levels of debt and capital expenditure. The firm also makes small cap investments up to \$20 million in private companies. The company makes non-controlled equity, minority and majority investments in portfolio companies.

The company injects capital into well-run, profitable private companies in exchange for a monthly preferred equity distribution which are adjusted annually based on revenues. Alaris creates long-term

partnerships with companies that have a proven track record of stability and profitability in diverse economic conditions.

The company generated double-digit revenue growth in 2018 and has been derisking the portfolio over the past number of years due to an increasingly competitive private equity landscape.

Six portfolio companies have no long-term debt and half of all portfolio companies have less than one times earnings before interest, tax, depreciation and amortization (EBITDA) in long-term debt on the balance sheet.

For Q3 2019, revenue per share increased by 32.3% due to distributions from several new investments in GWM, BCC, Amur, and a significant follow-on investment into PFGP in addition to net positive preferred share resets in 2019. The company paid \$0.4125 per share of dividends during the quarter, resulting in a payout ratio of about 75.2% for the period.

The company provides unique and sizeable exposure to the United States private equity market and has a history of steady and increasing free cash flow. Management is focused on creating long-term value for company shareholders.

On this basis, it appears that this stock presents a great opportunity for value-oriented investors interested in alternative investments. The stock pays a 8% dividend yield, making it particularly attracted for income seekers.

CATEGORY

1. Dividend Stocks
2. Investing

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1. dividend stock

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

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