



Buy This Cheap Stock That Pays a Monthly Dividend Yielding 7.5% a Year

Description

I love stocks with a high dividend yield that's secure. That's quite rare, especially when stock prices are inflated, which tends to reduce dividend yields. So, today I have a juicy proposition for you yield-hungry, retire early and enjoy life types.

The stock I am so excited about is **Alaris Royalty Corp** (TSX:AD), a Canadian Dividend Aristocrats Index member, which is also one of the most shrewd private investors in Canada.

Alaris believes that the best companies in the world are not for sale. Those companies often need financing to grow, however, and Alaris provides strategic capital in return for an equity stake that allows it to share in the future profits of its investments.

The company's investment model is very shareholder-friendly because it invests in businesses that want to sell and cash out, which means that Alaris gets to invest alongside a highly engaged management team that actually wants to stick around and grow.

What's more, Alaris' publicly stated long-term goal is to create the [optimal dividend stream for investors](#). This means that the company can always rely on a stable base of retiree and other income investors to keep the stock price stable in turbulent times.

Does this strategy make any money?

Well, since its inception in 2008, the company has given shareholders a total return of 343%, which translates to an annualized return of 15%.

The company has just 14 employees, which means that it keeps corporate overhead really low and most of the revenue earned from its investments can go right back to shareholders or into new investments.

The company is cash flow positive, with \$72 million net cash from operations, of which the company pays out \$61 million in dividends. This translates to an annualized dividend of \$1.65 per share, and the

best part is that the company pays monthly.

At a current share price of \$21 at writing, this dividend translates to a juicy yield of 7.5%. So, is the dividend yield safe? It's more than safe and well covered by recurring operational cash flow.

In fact, Alaris is [extremely shareholder-friendly](#) on this front, given that it has raised dividends for 11 consecutive years since 2010, with a 96% total increase.

If you'd invested \$10,000 at the IPO price of \$12 per share in 2008, you would have received a cumulative total of \$13,000 in dividends and your initial investment would be worth \$17,000 as of the time of writing. So, in other words, \$10,000 would have converted to a total of \$30,000.

Diversification into the U.S.

Alaris has approximately 84% of its fair value of investments in U.S. companies, with a good industry mix among consumer products, consumer financials, business service, and industrials.

This means that the company's investments are well diversified in terms of geography and currency.

Alaris' typical investment is a winner

Sequel Youth and Family Services is an example of one of Alaris' successful investments. Sequel is a U.S. based behavioral health organization that develops and operates a broad continuum of treatment programs for children, adolescents, and adults with behavioral health, emotional and physical challenges.

Alaris invested \$77 million in Sequel for a four-year period during which it received \$60 million in distributions and received another \$121 million upon exit a couple of years ago.

Simply put, the company converted the \$77 million investment into a 2.5 times multiple and a monster \$181 million in total capital returned.

Alaris has many such opportunities to invest in great companies or businesses that need strategic capital to reach the next level and Alaris gets to ride along for a very profitable ride.

Investor takeaway

Alaris has had a fantastic year that witnessed the stock price leap from a \$16 low at the start of the year to a 52-week high of almost \$22. But value investors shouldn't lose heart, because the company was trading at \$35 about five years ago.

The current stock price reflects a couple of missteps the company made with a few investments that led to investors absolutely punishing the company.

Smart investors should look to pick up shares at this low price to lock in this juicy and growing 7.5% dividend yield.

CATEGORY

1. Dividend Stocks
2. 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. Dividend Stocks
2. Investing

Date

2025/08/22

Date Created

2019/11/21

Author

rahimbhayani

default watermark

default watermark