



## ALERT: This Stable Dividend Payer Now Yields 7.5%

### Description

Finding steady dividend stocks is a tricky business.

It should be a whole lot simpler than it actually is. If the world was a just place, investors would be able to look for a company with a history of steady dividend payments behind it and load up with the knowledge that the yield is reliable.

Alas, the real world is much more complex. A competent securities analyst needs to be able to look forward and see what a company's fortunes look like six months or a year down the road. If the future looks rosy, then the stock becomes a buy for both the dividend income and the inevitable capital gains.

One such stock is at a similar crossroads today. Shares have sold off because of weak results, which has pushed up an already nice dividend yield all the way up to 7.5%.

Do investors have to worry about the company and the payout? Or is this just temporary noise and a [buying opportunity](#)?

Let's take a closer look.

### Not so sweet lately

Because I'm a fan of terrible puns, I often describe **Rogers Sugar** ([TSX:RSI](#)) as being in a pretty sweet business.

The sugar industry in Canada has a few pretty important things going for it. It's dominated by two players, who together make up pretty much the whole market, which is discouraging for any new competition.

Imported sugar is also subject to tariffs by the federal government to protect Canadian sugar beet farmers from foreign competitors. And sugar demand is still slowly growing, albeit most of us are trying to cut back on the stuff.

The sugar business continues to be a steady performer for Rogers. The problem has been the company's expansion into maple syrup.

The company spent \$200 million in 2017 buying two Quebec-based maple syrup companies that were projected to add both growth potential and about 15% to the bottom line.

The diversification attempt hasn't worked out so well as tougher than anticipated competition has suppressed revenue and shrunk profit margins.

Rogers reported its latest quarterly earnings last week and the results demonstrated the continued weakness of maple syrup. It sold \$48.1 million worth of the stuff in the quarter, earning a gross margin of \$4.4 million.

Results from the same quarter last year were much better, with the company earning \$7.6 million in gross margin on \$50.7 million in maple syrup sales.

Rogers also told investors that it expects additional weakness in maple syrup going forward. The company is so bearish it wrote off \$50 million of goodwill associated with that part of the business.

## The opportunity

This short-term maple syrup weakness was accompanied with news that this year's sugar beet crop was less than expected, which will impact the company's ability to export some of its excess supply.

The good news is all these issues have pushed down the company's share price to a fresh 52-week low. In fact, Rogers shares haven't been this low since mid-2016.

This is a classic get-paid-while-you-wait stock. Shares now yield a robust 7.5%, an [excellent payout](#). Some naysayers might say the dividend is in danger, but I highly doubt it. Analysts estimate the company will earn \$0.42 per share in 2020; the current annual dividend is \$0.36 per share at writing.

Besides, the company isn't going to let a few bad quarters impact a highly stable dividend. Management has been through these valleys before.

## The bottom line

Rogers shares trade at approximately 12x forward earnings, an excellent valuation. The stock is currently at \$4.80 per share, while the 52-week high is above \$6.50, and the dividend yield is a succulent 7.5%.

This represents a great opportunity for dividend investors to get in, collect the yield to wait, and then sell for 30-50% upside when the maple syrup market recovers.

## CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:RSI (Rogers Sugar Inc.)

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