Yield Alert: Buy This 7.1% Dividend Before it’s Too Late

Description

Canadian companies offer some of the juiciest dividends on the market. One such company just hit a 7.1% yield.

While a 7.1% dividend yield may seem lofty, keep in mind that this firm has consistently maintained an impressive payout. Over the last five years, the dividend has ranged between 5.2% and 9.1%. The current payout is well within its historical norm.

The latest bump in the dividend has come from a temporary pullback in the share price. Opportunistic investors can now achieve a market-leading income with plenty of upside potential.

Short-term pain

Rogers Sugar (TSX:RSI) has been a high-dividend payer for decades. In fact, it was originally set up purely as an income vehicle to redistribute profits from its sugar plantations.

If you look at the historical stock price, you’ll quickly realize that this is a pure-play income stock. The stock price today is in the same range shares traded at in 2011. Investors haven’t received big capital gains but rather consistent dividends.

Volatility has still presented itself from time to time. Fluctuations have caused the dividend to expand and compress regularly. In 2019, the stock price dipped from $6 to $5, pushing the yield up to 7.1%. The reasons behind the drop are clear, and most likely, they’re temporary, allowing new investors to snap up shares at a discount.

Long-term gain

Last quarter, management revealed “severe snow and frost damage has resulted in an inability to store or process the unharvested damaged sugar beet crop.” Upcoming financials should reflect this challenge, pressuring revenue and profits. The stock price decline coincided perfectly with this revelation, so it’s likely to be the impetus.

Luckily, the winter damage isn’t permanent. All indications suggest it will only impact the financials for a quarter or two. Afterwards, it’ll be back to business as usual.

When conditions normalize, expect the share price to rebound. Investing now lets you lock in the 7.1% dividend.

The rebound could also be sharper than past instances. That’s because Rogers has been investing in verticals like maple syrup, which have improved economics and higher profit margins.

These new initiatives haven’t boosted cash flow yet given there’s upfront investment needed, but in the coming years, they should provide a diversified source of profits for the company. “We remain confident in our long-term strategy and are well-positioned for the future,” executives noted on the most recent conference call.

Despite a difficult fourth quarter, Rogers still generated $31 million in free cash flow in 2019. That’s more than enough to service its debt, invest in new products, and support its 7.1% dividend payout.

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Date
2025/08/22
Date Created
2019/12/28
Author
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