



2 High Dividend Stocks to Consider for 2020

Description

Investing in high yield dividend stocks when markets are close to record highs seems like a good bet. Income stocks are a safe haven in a downturn as they provide a steady stream of income. Here we look at two high dividend-paying stocks for Canadian investors.

Inter Pipeline

Inter Pipeline (TSX:IPL) is a Canada-based petroleum transportation, storage, and natural gas liquids processing business. In 2018, the company generated 83.7% of sales from Canada followed by 8.5% in the United States and 7.6% in Europe.

The stock is currently trading at \$22.3 at writing. With an annual dividend of \$1.71 per share, the Inter Pipeline's dividend yield stands at a healthy 7.6%. The stock gained less than 20% in 2019 but is trading 12.3% below its 52-week high.

IPL has managed to grow sales from \$1.4 billion in 2014 to \$2.6 billion in 2018. However, sales are estimated to fall 3.6% to \$2.5 billion in 2019 and 0.4% to \$2.49 billion in 2020.

IPL will be banking on the Heartland Petrochemical Complex (HPC) that will be [completed by the end of 2021](#) to drive sales higher. HPC is an integrated plant that converts propane into polypropylene plastic which is a high margin product.

IPL has invested around \$3.5 billion in this project and HPC is expected to add close to \$500 million to annual cash flow once it is fully operational. An increase in cash flow will help the company stabilize cash outflow. IPL has a payout ratio of 118.6% which is not sustainable in the long term., especially considering its debt balance of \$6.5 billion.

Investing \$10,000 in this stock will result in annual dividend payments of \$760.

Alaris Royalty Corp.

Alaris Royalty Corp. (TSX:AD) is a Canada-based financial service and investment company. It provides capital to private businesses via preferred limited partnership interests or long-term license or royalty contracts. It invests in steady growth companies and generates 100% of sales from Canada.

The stock is currently trading at \$22.33 at writing. With an annual dividend payment of \$1.65 per share, the company's dividend yield stands at 7.4%. The stock has lost 35% in market value since April 2015, but has returned 24% in the last 12-months. Investing \$10,000 in this stock will result in annual dividend payments of \$740.

Alaris Royalty is valued at \$826.5 million in terms of the market cap, while its enterprise value stands at \$1.16 billion. The company's stock decline since 2015 was driven by a fall in revenue.

Alaris sales fell from \$128 million in 2016 to \$89.1 million in 2017 and \$100 million in 2018. Analysts expect sales to touch \$117 million in 2019, \$123 million in 2020 and \$131 million in 2021.

The stock is trading at a forward price to earnings multiple of 12.3. Comparatively, its five-year earnings growth is estimated at 8%. We can see that Alaris stock is reasonably valued and can move higher in 2020 after accounting for its robust dividend yield.

CATEGORY

1. Dividend Stocks
2. Investing

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

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