



Yield Hogs: Do These 3 High Dividend (+10%) Stocks Offer Safe Yields?

Description

Some investors just can't help themselves; they'll always be drawn to high dividend stocks with monster yields. We're talking payouts of at least 8% during normal times and well over 10% today.

The naysayers say buying high-dividend stocks is a silly thing to do. They say these companies will always end up cutting their dividends. Market corrections just accelerate the whole process.

I disagree. I think investors can do well in high-dividend stocks, assuming they stick to the best players. And thanks to the recent market meltdown, there's a great opportunity today to put cash to work in good companies that just happen to have [high yields](#).

Let's take a closer look at three high-yield Canadian stocks, companies that offer sustainable +10% yields.

Automotive Properties REIT

The first high-dividend stock I'd like to feature today is **Automotive Properties REIT** ([TSX:APR.UN](#)), which owns the underlying real estate for 64 different car dealerships spanning more than 30 different brands. In total, the portfolio spans 2.3 million square feet of gross leasable space, and 80% of the portfolio is located in Canada's six largest cities.

Automotive Properties just reported 2019's results, and its portfolio continues to perform well. Funds from operations came in at \$1 per share. Total revenue and earnings increased nicely but were offset by new shares being issued to help pay for acquisitions. The good news is, each lease has a 1.5% rent escalator built in, which should ensure steady growth from the existing portfolio.

Many investors are worried the company's tenants will ask for rent relief, as new car sales fall off a cliff. Automotive Properties has ample liquidity to make it through a few rocky months, and these dealership operators aren't about to abandon great locations because of temporary weakness.

This high-dividend stock currently yields a robust 10.7% with a trailing payout ratio in the 80% range.

It's safe, provided this economic slowdown doesn't last for years.

Pizza Pizza

I'm the first to admit the top Canadian fast-food royalty stocks have gotten crushed, and many have either cut their dividends or suspended payouts for the time being. But one high-dividend stock should survive this crunch better than the others, and that's **Pizza Pizza** ([TSX:PZA](#)).

The logic is simple. People can't go out to restaurants, but they can still get food delivered. New app-based delivery services have opened up delivery to all sorts of different restaurants, but for many, delivery means one thing — pizza.

Pizza Pizza also generated nice results before all this recent chaos. In its most recent quarter, sales were up 3.8%, while same-store sales were 2% higher. Many other Canadian fast-food chains reported negative same-store sales during that period.

Don't let this high-dividend stock's close to 100% payout ratio fool you. It's a royalty company, meaning it doesn't have any operating expenses. It can afford to pay out all of its earnings as dividends. The current yield is 10.9%.

Pinnacle Renewable

Pinnacle Renewable Energy (TSX:PL) provides industrial wood pellets to power producers around the world. Since wood pellets can easily be replaced by planting more trees, it's an approved Paris Convention form of energy. In fact, many coal-fired power plants — especially in Europe and Asia — are converting to this fuel source.

Pinnacle projects [solid long-term growth](#) that should last the better part of a decade. As more power plants are converted, the industry should double in size. Pinnacle is well positioned to capture a good chunk of this potential growth.

Over the short term, earnings from this high-dividend stock should continue to be steady. Power producers are seeing a little less demand with many large employers shutting down operations, but this should get back to normal in a few weeks or so. Remember that Asia, one of Pinnacle's main markets, is pretty much over Coronavirus fears, too.

Shares trade around \$6 each as I type this, putting the \$0.60 annual dividend at right around a 10% yield. The payout for this high dividend stock is sustainable too, especially with production scheduled to increase nicely over the next one to two years.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:APR.UN (Automotive Properties Real Estate Investment Trust)

2. TSX:PZA (Pizza Pizza Royalty Corp.)

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