



TFSA Investors: If You Have \$1,000, Buy This 12% Dividend Stock Right Now!

Description

Alaris Royalty (TSX:AD) is a finance company that funds private companies and generates regular dividend payouts to its shareholders. As businesses go through a painful couple of months (and maybe more), Alaris will likely find it tough to continue with their dividend payout.

I [had written about this stock on March 26](#), saying that investors should look at this stock when the sell-off comes to a halt. Alaris stock was trading at \$8.57 then and is currently trading close to \$10. The company just declared its first-quarter results and I can safely say my reasoning was justified. The company has handled the first quarter really well and from the looks of it, the company should pull through the pandemic in a decent state.

Alaris reported \$34 million in revenue in the [first quarter](#), a record in the company's history. Around \$9.8 million of this was due to the sale of SBI (Sales Benchmark Index LLC) in January, and Alaris received US\$91.3 million of proceeds including a US\$9.3 million premium to cost and US\$7 million in additional distributions.

Lowdown on business

Four out of 12 of Alaris' businesses have taken a hit but the other eight businesses are doing alright, and in some cases have even turned in a profit. Federal Resources have leveraged their existing government contracts. They now provide PPEs to the U.S. Army and nursing homes in the Northeast.

Kimco's janitorial services have received a boost as they gained new cleaning contracts. These contracts have more than made up for the customers who have shut shop for now. DNT and LMS are both providing construction-related essential services and have also operated throughout the pandemic.

Two Alaris companies that have been majorly impacted by COVID-19 have been Body Contours and Planet Fitness. Both companies closed all its locations mid-March. There hasn't been any revenue from Planet Fitness for almost two months. However, it's planning to open stores in certain states in the upcoming month.

Body Contours, which performs elective non-essential surgery, has fared slightly better with one clinic opening up in the last week of April and more scheduled to open in May. Alaris fully expects its revenue streams from these companies to recover.

Both companies are significantly bigger than what they were during the previous recession. That said, the industry that Body Contours operates was barely impacted during 2008-10. The same trend seems to be continuing this time around as well.

People who had surgeries scheduled in March and April have re-signed up for May and June. Alaris says Planet Fitness has had very few online cancellations since the shutdown.

Reducing debt and dividend

In February, Alaris also sold Sandbox Acquisitions LLC and Sandbox Advertising Limited Partnership for US\$32.6 million. Both these acquisitions generated CAD\$155 million in Q1 that reduced debt before the start of the pandemic.

Alaris paid out \$15.1 million as a dividend in the first quarter that resulted in a payout of 57% for the three months. The company also announced a reduction in the dividend of approximately 30% to \$1.16 per share from \$1.65 per share.

Despite the dividend cut, Alaris stock has a forward yield of a tasty 12%, which means a \$1,000 investment in Alaris will result in annual dividend payment of \$120.

With the above-mentioned measures and a decent plan of action for the next two months, it might not be unreasonable to buy Alaris on dips.

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