2 Cheap Dividend Stocks Yielding up to 7%

Description

It usually pays off to buy undervalued stocks. You buy them when they are trading for a lower-than-fair valuation and sell them when they become overvalued. But sometimes, all you might be looking for is a cheap stock — i.e., a company that's trading in a specific price range (like $4 to $14 per share). You may not mind if it's overvalued or undervalued, as long as you can buy *more* of the company with the capital you have.

If you have the same amount to invest, and you have to choose between two companies offering the same yield, it wouldn't make much of a difference as far as the dividend yield is concerned whether you buy the cheap company or the expensive one. But since you will have more shares of the cheap stock (if you invest the same amount), you will benefit more if both companies decide to increase their payouts by the same dollar amount.

Here are two cheap dividend stocks that you might want to consider.

A sweet investment

Rogers Sugar (TSX:RSI) is a holding company that was formed as the result of a merger between Lantic, an Eastern Canadian company, and Rogers, a Western Canadian company. Both companies have a history stretching back over a century and deep roots in their local communities. As one entity, Rogers Sugar is the largest refined sugar distributor in the country.

Despite a proud history and an extensive local footprint, Rogers isn't as big as many people assume. It has a market capitalization of $500 million and an enterprise value of $632 million. It has a strong balance sheet and a decent revenue stream. But the company has probably grown as much as it can, so buying it for capital growth might not be wise. But it's a decent dividend payer, with a juicy 7.3% yield.

The payout ratio is safe (92%), and the company has sustained its dividends through worse payout ratios.

A REIT

Many stocks in the real estate sector are having trouble recovering to their former glory days, and, unfortunately, **Automotive Properties REIT** (TSX:APR.UN) is one of them. Still, it's faring much better than others. Even in its less-than-ideal recovery, the company has displayed a robust 89% growth in the stock price since its worst-valuation point during the crash.

But a much more compelling reason to buy this $384.5 million REIT is its massive 7.9% dividend yield. The payout ratio of 72% is safe enough, especially for a REIT.

As the name suggests, the REIT focuses on automotive dealership properties. It owns 64 properties across the country and works with 32 globally known brands, including **Toyota**, **Ford**, and **Volkswagen**. The company touts its impressive leasing profile, which means that it has locked in many of its automotive clients in long-term leases, ensuring continuity of its revenues, despite market fluctuations.

Foolish takeaway

If you invest $10,000 in each company, you will get about $126 a month from these cheap high-yield stocks. Coincidently, both companies are also currently undervalued, and while Rogers may not grow much, Automotive Properties has the potential to reward you on that front as well. Even as simple dividend stocks, these companies can be valuable additions to your portfolio.

CATEGORY

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2. TSX:RSI (Rogers Sugar Inc.)

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Author
adamothman