2 Cash Cow Stocks That Provide 6.4% Dividend Income

Description

The rule of thumb in the stock market is to 'buy low and sell high." Stock investors gain from the price appreciation. But since the market's behaviour is unpredictable, prices spike or dip most of the time. The value of your investment could drop, so you wait for the stock to recover, recoup the losses, and eventually sell at a profit.

However, during rocky market periods, capital gains are hard to achieve. Dividend investors are less anxious because they have dividend income to rely upon in a declining market. In such a situation, it would be best to have so-called cash cows in your portfolio.

The companies that epitomize a cash cow today are **Rogers Sugar** (TSX:RSI) and **Sienna Senior Living** (TSX:SIA). Their business models are low growth, yet both are fixtures in their respective industries or sectors. Dividend seekers love them because the dividend yield is at least 6.4%.

Portfolio sweetener

Rogers Sugar's involvement in sugar and sweetener production dates back to 1890. Sugar is a low-growth business, but you can go long on the consumer-defensive stock because the product is a consumer staple. Its long-standing partner, Lantic, is in refinery operations since 1912.

The amalgamation or merger of the two companies in June 2008 helped Rogers Sugar leverage the historic brand awareness. The Rogers brand is famous in Western Canada, while the Lantic brand is well known in Eastern Canada. If you were to invest today, the share price is only $5.56, but the dividend offer is a fantastic 6.47%.

This $575.67 million company acquired L.B. Maple Treat Corporation and Decacer to have a high-margin product line. It now has a range of authentic maple syrup products for both retail and industrial markets. After the interruption due to COVID-19, revenue and sugar volume increased by 7% and 1.1% in Q1 2021. Management expects to see an improved financial performance this year.

Leader in senior care

The shares of Sienna Senior Living in the healthcare sector trade at $14.64 and pays a high 6.38% dividend. This $981.45 million senior housing company is Canada's leading senior living and long-term care (LTC) services provider.

Today, Sienna owns and operates 70 seniors' living residences that consist of eight seniors' living residences, 27 retirement residences, and 35 LTC residences. The locations of these high-quality seniors' residences are in British Columbia and Ontario.

Sienna offers independent living, assisted living, long-term care, and specialized programs and services for seniors. Unfortunately, in 2020, the pandemic's impact took its toll. While revenue declined slightly by 1% versus 2019, the company reported a net loss of $24.4 million versus the $7.5 net income in the prior year.

Nonetheless, Sienna had a solid financial position ($217,000 million in liquidity) on December 31, 2020. In Q4 2020, it repaid $63 million worth of debts. Its unencumbered asset pool also increased to $840 million as of year-end 2020 from $307 million on December 31, 2019.

Industry leaders

While Rogers Sugar and Sienna Senior Living are industry leaders, the businesses are not without risks. Still, both are excellent sources of passive income if you need cash cows during recessionary periods. These high-yield dividend stocks will not disappoint unless the market deteriorates significantly. So far, the payouts should be safe.

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cliew