



2 Canadian Stocks to Buy for Oversized Dividends

Description

Yield-hungry investors chase after [high dividend stocks](#). However, you must be careful when picking companies that pay oversized dividends. The high payout may be due to a stock's significant drop in price. Sometimes it could be a sign of financial trouble.

When a company is in distress, management could reduce dividends or scrap the payments altogether to conserve cash. Some established dividend payers on the **Toronto Stock Exchange** slashed their dividends or stopped the payment in 2020 due to the global pandemic. The companies lost their natural appeal. Likewise, instead of juicy yields, investors incurred losses.

True North Commercial ([TSX:TNT.UN](#)) and **Chemtrade Logistics Income Fund** ([TSX:CHE.UN](#)) are nearly identical in price and dividend yield. This pair of dividend stocks yield no less than 8%. Before scooping them, it would be best to understand the inherent risks in their respective businesses or sectors.

High-profile tenant base

True North Commercial is a \$640.77 million real estate investment trust (REIT) in the real estate sector. The current share price is \$7.34, while the dividend yield is a lucrative 8.09%. A \$50,000 investment will generate \$4,045 in annual dividends.

The REIT has just 46 commercial properties in its real estate portfolio, but the tenant base is the [main attraction](#). The federal government of Canada is the anchor or lead tenant in 13 of the total income-producing commercial properties. Credit-rated lessees and some provincial governments complete the high-profile tenant list.

True North's resiliency and strength were evident in 2020. It hardly struggled during the pandemic like retail or office REITs did. For the full year, net income and revenue increased by 64.4% and 31% versus 2019. Rent collections and occupancy rates were 99% and 98%, respectively. Notably, net operating income (NOI) grew by 21%. Investors can own the stock for the long haul.

On track to profitability

The five-year average dividend yield of Chemtrade Logistics is 10.31%. If you were to initiate a position today, the dividend yield at the share price of \$7.40 is a hefty 8.30%. Any investment amount will double in less than nine years (8.67 years). Current investors are content because the stock outperforms the broader market year to date (+30.55% versus +11.09%).

Chemtrade's market cap stands at \$773.47 million and has been in existence for 20 years already. The company is known for its high-quality chemical products used in a wide range of industries and applications. Sectors such as food, beverage, pharmaceutical, waste & water, pulp & paper, and agriculture need specialty chemicals.

However, if you review the business performance in 2019 and 2020, revenue growth is negative. Thus, Chemtrade posted two consecutive years of losses. In 2020, it was \$167 million. Nevertheless, Canadian chemical analysts see Chemtrade's losses to reduce significantly in 2021 and start generating profits in 2022.

Chemtrade President and CEO Scott Rood said, "When the pandemic is under control and our customers' businesses return to more normal operations, we believe we will be well positioned to serve those customers and improve our bottom line." Despite the dismal financial results, market analysts forecast the price to climb 62% to \$12.

Dividend safety

Investors have exceptional opportunities to earn more from high dividend-payers. However, not all high-yielders can sustain the payouts. Between True North and Chemtrade, I would say the REIT is more stable and a safer investment choice.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CHE.UN (Chemtrade Logistics Income Fund)
2. TSX:TNT.UN (True North Commercial Real Estate Investment Trust)

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