Collect Passive Income With These 2 Dividend Stocks

Description

One of the easiest ways to collect passive income is through dividend investing. Canadians are fortunate, because they have two investment vehicles to either earn tax-free or to have a tax shelter. Most dividend investors gravitate towards popular companies, although others are okay with a lesser-known but dependable income provider.

Exchange Income (TSX:EIF) and **Rogers Sugar** (TSX:RSI) may not be anchor material in a stock portfolio, but they sure are generous dividend payers. The average dividend yield of the industrial and consumer staple stocks is 5.735%.

A combined investment of $42,000 ($21,000 investment in each) can produce $2,408.70 in passive income (around $200.73 every month). Furthermore, both stocks are eligible investments in a Tax-Free Savings Account (TFSA) and Registered Retirement Savings Plan (RRSP).

Winning acquisition strategy

Exchange Income is a $1.61 billion diversified, acquisition-oriented company. It has two core segments (Aerospace & Aviation and Manufacturing) that contribute to revenue. The company grew via a disciplined acquisition strategy. Management has successfully identified and acquired profitable, well-established companies that generate steady cash flow.

Many acquisitions or prospects operate in niche markets with plenty of organic growth opportunities. In Q3 2021, EIC impressed investors with glowing financial results. The top and bottom lines grew 35% and 27%, respectively, compared to Q3 2020. Notably, free cash flow increased 26% to $72.8 million year over year.

EIC's CEO, Mike Pyle, said, "The third quarter was remarkable for EIC as we achieved $400 million of revenue for the first time and hit a new quarterly high in EBITDA at $95 million." Besides completing $70 million worth of acquisitions and spending $40 million for growth, the company reduced debt by $44 million since year-end 2020.

Likewise, the company paid $27.9 million in dividends during the quarter and $63.47 million year to date (three quarters in 2021). At $41.34 per share, investors are pleased with the 18.75% year-to-date gain on top of the above-market-average 5.52% dividend.

Important consumer staple

The importance of sugar and producing the consumer staple needs no further explanation. Rogers Sugar is a defensive asset for risk-averse investors, despite the low-growth business model. Its stock hardly fluctuates and usually stays within $5 to $6. The share price is $6.05 per share, while the dividend yield is 5.95% if you invest today.

Rogers Sugar's fiscal 2021 results are out, and investors are encouraged by the numbers. Total revenue and net earnings grew 3.8% and 34.2% versus fiscal 2020. Sugar volumes increased 2.4%, while maple declined 1.7% year over year. Overall, it was a remarkable rebound from the COVID year.

Mike Walton, president and CEO of Rogers Sugar and Lantic Inc., said, "We are pleased with the results achieved in the fourth quarter in both of our business segments." The company met its volume targets with improved overall sales margins. Management sees improved financial performance in fiscal 2022 when normal operating conditions are back.

Start now

If you haven't started dividend investing, now is an excellent time because prices of goods, fuel, and other things might remain high for an extended period. It would help if you had a financial cushion in an inflationary period.

CATEGORY

1. Dividend Stocks
2. Investing

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2. TSX:RSI (Rogers Sugar Inc.)

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