



Inflation-Beating Picks: 2 TSX Stocks Pay Dividends of More Than 6.7%

Description

Canada's annual inflation rate of 6.7% in March 2022 is the country's highest since January 1991. Some economists say the reading could be the peak, although it might have spiked in last month. For income investors, the battle cry is to cope with rising prices or beat them altogether.

If you scout the stock market, several companies pay more than the inflation rate. **Doman Building Materials Group** ([TSX:DBM](#)) and **Alaris Equity Partners** ([TSX:AD.UN](#)) are dividend beasts, but not necessarily the [safest investments](#). Nevertheless, their dividend yields of more than 7% seem sustainable at the moment.

Jimmy Jean, the chief economist at Desjardins Group, said, "The peak is just one milestone, then you need to get inflation down and that's going to take a while in order to get to some acceptable range. We're not expecting that until early 2023."

Since we're not yet at the halfway mark of 2022, creating a financial buffer is a must. Instead of spending your free cash, purchase shares of Doman or Alaris. Any amount your money can generate will help [minimize the impact of inflation](#).

Strong business platform

Doman pays an ultra-high 7.77% dividend. At \$7.54 per share, you can partake of the generous payout. Assuming you own \$6,000 worth of shares in your TFSA, it will produce \$466.20 in tax-free passive income. On May 4, 2022, the stock advanced 3.43% after announcing impressive quarterly results.

The \$653.67 million company is the only fully integrated national distributor in Canada's building materials and related products sector. In Q1 2022, revenue and net earnings increased 63.7% and 23% versus Q1 2021. Its chairman of the board Amar S. Doman said, "Our top-line results are demonstrative of the continued strength of our business platform in Canada and the U.S."

Despite the better-than-expected performance of the economy, Doman noted the general economic

headwinds manifesting in inflation and increased interest rates. He also sees price volatility in certain product categories. The construction materials segment (81%) contributed the most to revenue, followed by specialty & allied products (16%).

Alternative financing

Alaris provides alternative financing, including management buyouts and growth capital, to lower- and middle-market private companies. The \$844.74 million private equity firm receive distributions, dividends, or interest from these endeavours. While management has yet to report its Q1 2022 results, the company delivered strong financial performance last year.

Total earnings increased 485.7% versus the full-year 2020. Furthermore, revenue and cash generated from operating activities increased 10.9% and 17.9% year over year. According to management, Alaris is now receiving more than 13% return on its preferred equity holdings (cash-yield basis).

During an 18-month period (second half of 2020 to 2021), Alaris deployed over \$500 million to new and current partners. Management estimates the run-rate revenue for the next 12 months to reach approximately \$150.7 million. Thus far in 2022, the stock is up 1.19%. Also, at \$18.71 per share, the dividend yield is a juicy 7.12%.

Inflation-beating dividends

Doman Building Materials and Alaris Equity Partners are not the usual [top picks](#) of dividend investors. However, their inflation-beating yields make them ideal choices today. Be sure to understand the inherent risks in their respective businesses before parting ways with your money.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:DBM (Doman Building Materials Group Ltd.)

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Date

2025/09/29

Date Created

2022/05/07

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