



## Dividend Stocks: 3 Reasons to Buy This 8% Yielder

### Description

Like it or not, it's been a difficult and [volatile market](#) for over a year now. In this environment, I think we've all come to value top dividend stocks more than ever. This makes sense because most dividend payments have been maintained, giving us at least some positive return on our investment. Thus, it's clear to see why many of these stocks have been anchors while the market has been falling fast.

**Alaris Equity Partners Income Trust** ([TSX:AD.UN](#)) is one of the best dividend stocks in Canada. It has withstood the current difficult times exceptionally well, while providing shareholders with strong dividend income.

### What does Alaris do?

Alaris provides capital to private businesses. In return, it receives preferred shares, which collect dividends, as well as participate in the potential profit and growth of these companies. The relationship is such that Alaris participates in the businesses through non-control equity ownership. This is a very attractive financing arrangement for entrepreneurs who need financing but would like to maintain control and decision-making of their company. It's also an option that eliminates refinancing risk.

### A relatively safe business model

Alaris is very specific in what it is looking for in its investments. In fact, the criteria that they look for is quite specific. For example, a company must have a long record of free cash flow growth. It must also have a high level of insider ownership and management stability and continuity. Finally, companies must have low debt levels and low capital expenditure requirements to make the cut.

At this time, Alaris' portfolio is made up almost exclusively of "required service" businesses. This means that customer demand in these businesses has little sensitivity to the economy – a really attractive feature, especially in today's market. Also, the portfolio consists of companies that have no or little debt and low capital expenditures.

I must say, there are many of the criteria that I look for when investing. Thus, I have a real soft spot for this company and this stock.

## High dividend yield

Today, Alaris is yielding a very generous 7.9%. This follows many years of outsized yields and dividend increases. In fact, in just the last five years, Alaris' annual dividend has increased 152% to the current \$1.36 per share. This represents a compound annual growth rate of 20%.

At the same time, Alaris' stock price has held up pretty well – especially considering the turmoil during this time period. It's clear to me that Alaris may be one of the best Canadian dividend stocks out there.

## A bright future for this dividend stock

Alaris' equity model has an advantage in today's environment. As interest rates rise, debt must be refinanced at increasingly higher rates. This is a big blow in the form of higher rates and interest costs. With Alaris, on the other hand, there's no refinancing risk. The company's latest financing deal secured a dividend yield of 15%. This is often an attractive option relative to the different forms of debt out there.

In its latest quarter, Alaris beat estimates by a wide margin. In fact, this may be a sign that expectations are too low on a go-forward basis as well. This is supported by the fact that the company has \$220 million of capital available to be deployed. In addition to this, management has stated that they have a "robust pipeline of opportunities". This should play out in the form of continued strong margins and [internal rates of return](#).

Finally, Alaris is currently planning so much more. For example, the company is investing in third-party asset management. This would involve raising and managing third-party capital. This capital would be invested in Alaris' existing partners, which would generate an additional income stream for Alaris in the form of management fees. According to management, good progress has been made on this new business, and they expect to be able to announce something in the near future.

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