

CIG The Super Dividend Stock - Pays Out Some of the Highest Dividends

In the past I [have not invested](#) in many stocks just for their dividends. I'm typically a buy low sell high kind of investor. However there is one stock which I have owned for many years now and the attraction to me has always been the dividend. That stock is [CIG](#) - Companhia Energética de Minas Gerais S.A. (abbreviated as CEMIG)

CIG is one of the largest power generators and distributors in Brazil being responsible for 12% of the national distribution. CIG is present in 22 Brazilian States and in Chile. With around 50 power plants in operation, most of them hydroelectric, the company owns around 6,000 MW of generation capacity. CIG also owns a cable television, internet and telecommunications business called Infovias which uses the company's transmission and distribution lines.

The company is responsible for serving about 18 million people in 774 municipalities of Minas Gerais and for the management of the largest network of electricity distribution in South America, with more than 250,000 miles of lines.

Maximum Pessimism

It's well known that [Brazil's economy is in the tank](#) and has a bond rating of BBB which is one step above junk. Even so, there are still good stocks that can be found in countries with economic problems. I took the [Sir John Templeton](#) route to "buy when there's blood in the streets."

CIG reached a bottom of \$1.02 back in January 2016. The price has not been this low since 2003. And just to give you an idea, over the last 10 years, CIG has had an ultimate high price of \$14.21 which was in 2012.

I believe CIG reached it's point of maximum pessimism in early 2016 and is making a comeback. CIG is a great stock buy right now, not only for appreciation but for dividends.

CIG Mandatory Dividend Policy

CIG has a mandatory dividend payout policy as shown in the companies annual statements.

Dividends can be paid out from the profit accrued in each fiscal year or from accumulated profits from previous years, or from profit reserves.

The Company's by-laws state that 50% of the net income of the previous year must be used for distribution as a mandatory dividend. If there is no net profit for the previous year, management may recommend that a mandatory dividend payment should not be made.

Preferred shareholders have priority in dividend payments over common shareholders. Preferred shareholders have a right to an annual minimum dividend equal to the greater value between 10% of their par value; or 3% of the shareholders' equity associated with the shares.

Assuming the dividend payout to preferred shareholders does not exceed 50% of net income of the previous year, the remaining dividend payment is split equally between preferred and common shareholders. If the company is able to pay dividends in excess of 50% of net income of the previous year, then that amount is also split equally between preferred and common shareholders.

CIG Dividends in 2016

As of July 31, 2016, I have received the following dividend payouts for CIG in 2016:

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Stock

CIG

CIG

CIG

CIG

Total

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Account

Roth 1

Roth 2

Brokerage

ESA

Price

\$2.66

\$5.51

\$3.60

\$3.47

\$4.24

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Dividend

\$7.60
\$127.94
\$44.91
\$5.83
\$186.28

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ROI

- 0.78%
- 2.50%
- 2.08%
- 0.60%

- 2.02%

The Roth 1 and ESA did not receive a dividend in January 2016 since they were purchased after the record date. Roth 2 and Brokerage have received a dividend in January and July of 2016.

Past Dividends

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2016 has been a down year for dividend payouts. However, CIG has paid some [nice dividends in the past](#).

Year

2015

2014

2013

2012

2011

2010

2009

2008

2007

2006

2005

2004

2003

2002

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Dividend Amount

\$0.22

\$1.36

\$0.66

\$1.81

\$0.97

\$0.85

\$0.30

\$0.44

\$0.56

\$0.19

\$0.15

\$0.15

\$0.05

\$0.08

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Year End Price

\$1.48

\$4.51

\$5.77

\$7.44

\$10.97

\$8.96

\$8.22

\$5.36

\$6.16

\$6.21

\$6.11

\$2.87

\$2.16

\$0.91

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Year End Yield

14.86%

30.04%

11.39%

24.29%

8.81%

9.49%

3.60%

8.24%

9.14%

3.09%

2.38%

5.31%

2.12%

9.17%

You have to remember, the dividends paid in the current year are based on the past years net profit.

I'll throw out the disclaimer that past performance is never an indication of future performance. However CIG has paid a dividend for the last 14 years.

Long Term Investors

For the long term buy and hold investor who is looking for a steady dividend growth rate and reasonable payout ratio, CIG will not work. Since the dividend is based solely on net profits of the company, the dividend payout is volatile from year to year.

To give you an idea, the current dividend payout ratio is 93.24% and the 5 year dividend growth rate is -21.26% as of 8/31/2016.

Foreign Taxes

I also have to mention the dividend payouts which I received and show above are net of foreign tax withholding. So the dividend amounts are actually higher, but the brokerage takes out 15% tax on the dividend for foreign taxes.

My Brokerage account is the only account which is not in a tax advantaged plan. So I do recoup the foreign tax amounts back as a credit on my tax return every year.

I don't believe I receive these taxes back in my Roth or ESA accounts though which is kind of crazy when you think about it. With the Roth and ESA accounts I shouldn't be paying any taxes on gains since the money is invested after tax. But these don't apply to other countries' laws.

This is something to think about in the future. It would be best to try and keep foreign dividend stocks in non-tax advantaged accounts. But even with the tax being taken out of a super dividend, the return is still excellent.

Conclusion

If any of my readers are interested in CIG, it can be purchased at a great value right now. At the time of this writing, the stock trades for just under \$3. It has also been [recommended by Zacks](#) as one of the top 4 stocks to buy in Brazil at this time.

Hi readers! What do you think about me holding CIG as a super dividend stock? Would you consider adding it to your portfolio?

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