

"How To Earn Dividends from Amazon"

by Robert Hauver

We've all seen the headlines often- "Brick and Mortar Chain Store To Close More Stores", over the past few years. as online retailers, notably Amazon, AMZN, keep gobbling up a bigger slice of the retail pie.

Unfortunately for income investors, AMZN isn't in the realm of high dividend stocks - in fact, it's not even in the universe of dividend paying stocks yet, as its management keeps reinvesting in the business. Given the stock's trajectory, and the company's revenue growth, the market has no problem with this at all.

So, what's an income investor to do about this situation? How can we get an income-producing piece of this retail juggernaut?

We offer you 3 vehicles to do just that in this article:

1. Buy dividend stocks which supply Amazon. International Paper, IP, comes to mind. It's a huge supplier of corrugated boxes, like those ones you receive your online purchases in, AND, it's a dependable dividend payer.
2. Buy dividend stocks which service Amazon, such as UPS, which delivers those boxes to your door. Fedex does also, but Fedex's dividend yield is under 1%.
3. Sell covered calls or cash secured puts for Amazon vendors, such as UPS and IP. You can also sell options for Amazon directly, but, given its \$970.00-plus price/share, you'd have to tie up a lot of capital to do so.

Dividends: IP typically goes ex-dividend in a Feb-May-Aug-Nov cycle, and has increased its quarterly dividends in November over the past 4 years. It's currently yielding over 3.5%, and its next ex-dividend date should be approx. August 11th.

Our [High Dividend Stocks By Sectors Table](#) tracks IP and its current dividend yield in the Consumer Staples section.

UPS pays \$.83/quarter, and should also go ex-dividend around 8/11/17. It has increased its dividends in February for the past 4 years. IP wins the race for dividend growth - with a very impressive 13.23% dividend growth rate:

Ticker	PRICE PER SHARE 5/24/17	Forward Dividend Yield	Most Recent Quarterly Dividend	Next Ex-Dividend Date (approx.)	Pay Date (approx.)	Payout Ratio	5-Year Dividend Growth Annualized Rate
IP	\$51.93	3.57%	\$0.4630	8/11/17	9/15/17	95.60%	13.23%
UPS	\$104.67	3.17%	\$0.8300	8/11/17	8/31/17	80.70%	7.37%

Options: We've added October trades for both stocks to our [Covered Calls Table](#), where you can see more details for these and over 20 other trades.

There will be one dividend going ex-dividend during both of these 5-month trades - a \$.463 payout for IP, and an \$.83 payout for UPS.

The bid for the Oct. \$52.50 call is \$2.32, roughly 5x IP's next 2 dividends, while the UPS \$105.00 call bid is \$3.90, 4.7x UPS's next 2 dividends.

Ticker	PRICE PER SHARE 5/23/17	DIVIDEND PER SHARE \$ PAID PRIOR TO CALL EXPIRATION	ANNUAL'D DIVIDEND YIELD %	CALL OPTION EXPIRATION MONTH & STRIKE PRICE	CALL BID PREMIUM	ANNUAL'D CALL YIELD	TOTAL ANN'D STATIC YIELD	POTENTIAL ASSIGNED YIELD	ANNUAL'D TOTAL POTENTIAL YIELD
IP	\$51.93	\$0.4630	2.21%	10/21/2017 \$52.50	\$2.32	11.09%	13.31%	2.73%	16.03%
UPS	\$104.67	\$0.8300	1.97%	10/21/2017 \$105.00	\$3.90	\$0.09	11.22%	0.78%	12.00%

This table details the 3 main income/profit scenarios for these 2 trades, Static, Assigned Pre-Ex-Dividend Dates, and Assigned after Ex-Dividend Dates:

SHARE PRICE	CALL OPTION PREMIUM	DIVIDENDS Pre-Expiration Date	(A): STATIC INCOME (CALL PREMIUM + DIVIDEND)	POTENTIAL ASSIGNED PRICE GAINS (STRIKE PRICE MINUS SHARE PRICE)	(B): POTENTIAL ASSIGNED PRE- EX-DIVIDEND DATE INCOME: PRICE GAIN + CALL OPTION PREMIUM, BUT NO DIVIDENDS	(C): TOTAL POTENTIAL ASSIGNED INCOME: IF ASSIGNED AFTER EX-DIVIDEND DATES
\$51.93	\$2.32	\$0.46	\$2.78	\$0.57	\$2.89	\$3.35
Nominal Yields:	4.47%	0.89%	5.36%	1.10%	5.57%	6.46%

The October put options yields aren't quite as generous, but are still 3 to 4x greater than the dividend payouts during this term:

Ticker	PRICE PER SHARE 5/23/17	DIVIDEND PER SHARE \$ EX-DATES BEFORE PUT EXPIRATION	ANNUAL'D DIVIDEND YIELD %	PUT OPTION EXPIRATION MONTH & STRIKE PRICE	PUT BID PREMIUM	ANNUAL'D PUT YIELD	100% CASH RESERVE AMOUNT	BREAK-EVEN PRICE	52-WEEK LOW
IP	\$51.93	\$0.4630	2.21%	10/21/2017 \$50.00	\$2.11	10.41%	\$5,000.00	\$47.89	\$39.24
UPS	\$104.67	\$0.8300	1.97%	10/21/2017 \$100.00	\$2.75	6.78%	\$10,000.00	\$97.25	\$101.48

You can track these 2 put-selling trades on our free [Cash Secured Puts Table](#), which gives you daily updates throughout each trading day for over 20 put trades.

Performance: IP has outperformed the market over the past year, but has lagged in 2017. UPS has gotten little support from the market over the past year, gaining only 3.54%.

Ticker	PRICE PER SHARE 5/23/17	Performance (Month)	Performance (Quarter)	Performance (Year)	Performance (YTD)	52-Week High	52-Week Low
IP	\$51.93	-3.12%	-0.56%	26.88%	-2.13%	-11.77%	32.34%
UPS	\$104.67	-1.95%	-0.40%	3.54%	-8.70%	-13.09%	3.14%
S&P 500	\$2,398.76	1.20%	1.48%	17.12%	7.14%	-0.29%	20.44%

Analysts' Price Targets: IP is currently around 8% below analysts' consensus price target of \$113.32.

PRICE PER SHARE 5/24/17	ANALYSTS LOW PRICE TARGET	ANALYSTS MEAN PRICE TARGET	ANALYSTS HIGH PRICE TARGET
\$51.93	\$48.00	\$57.96	\$65.00
UPSIDE VARIANCE	-7.57%	11.61%	25.17%

UPS is 11.6% below the consensus price target of \$57.96:

PRICE PER SHARE 5/24/17	ANALYSTS LOW PRICE TARGET	ANALYSTS MEAN PRICE TARGET	ANALYSTS HIGH PRICE TARGET
\$104.67	\$77.00	\$113.32	\$127.00
UPSIDE VARIANCE	-26.44%	8.26%	21.33%

Valuations: Both firms are expected to ramp up earnings in 2017, which accounts for their much lower Forward P/E's. UPS has a whopper of a Price/Book, due to its low Equity/Share of only \$.64. Conversely, this has pumped up its ROE, which stands at 218.40%.

Ticker	PRICE PER SHARE 5/24/17	P/E Trailing	Forward P/E	Price/ Sales	Price Book	Mkt. Cap	EV/EBITDA
IP	\$51.93	27.73	12.05	0.99	4.72	\$21.34B	10.94
UPS	\$104.67	26.66	16.17	1.46	162.81	\$90.42B	12.98

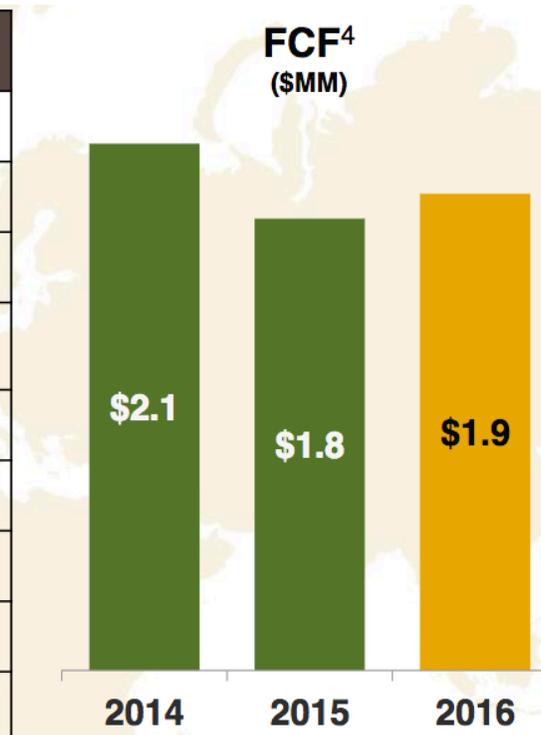
Financials: IP has a much lower Debt/Equity load than UPS, at 2.46 vs. 23.10, but, even with that bigger debt load, UPS's strong earnings power gives it a much lower Net Debt/EBITDA of 1.77, vs. 2.46 for IP.

Ticker	Return On Assets	Return on Equity	Current Ratio	Total Debt/Equity	Net Debt/EBITDA	Interest Coverage	Operating Margin
IP	2.40%	18.20%	1.60	2.46	2.46	4.36	6.80%
Industry Avgs.	5.73%	13.60%	1.27	0.80	NA	5.66	10.23%
UPS	8.90%	218.40%	1.00	23.10	1.77	22.10	8.80%
Industry Avgs.	2.93%	9.90%	1.43	1.06	NA	1.08	3.66%

Earnings:

IP has had a more uneven Sales and EBITDA trajectory over the past few years than UPS, but its Free Cash Flow did improve in 2016.

\$ Billion (Except as noted)	2014	2015	2016
Sales	\$23.6	\$22.4	\$21.1
Adj. EBIT¹	\$2.7	\$2.6	\$2.3
Adj. Operating EPS²	\$3.00	\$3.65	\$3.35
Operating EPS impact of Ilim F/X³ – IP Share	(\$0.63)	(\$0.18)	\$0.06
Adj. EBITDA¹	\$4.1	\$3.9	\$3.5
Adj. EBITDA Margin	17.5%	17.6%	16.6%
FCF⁴	\$2.1	\$1.8	\$1.9
Year-End Debt	\$9.4	\$9.3	\$11.3
Cash Balance	\$1.9	\$1.0	\$1.0

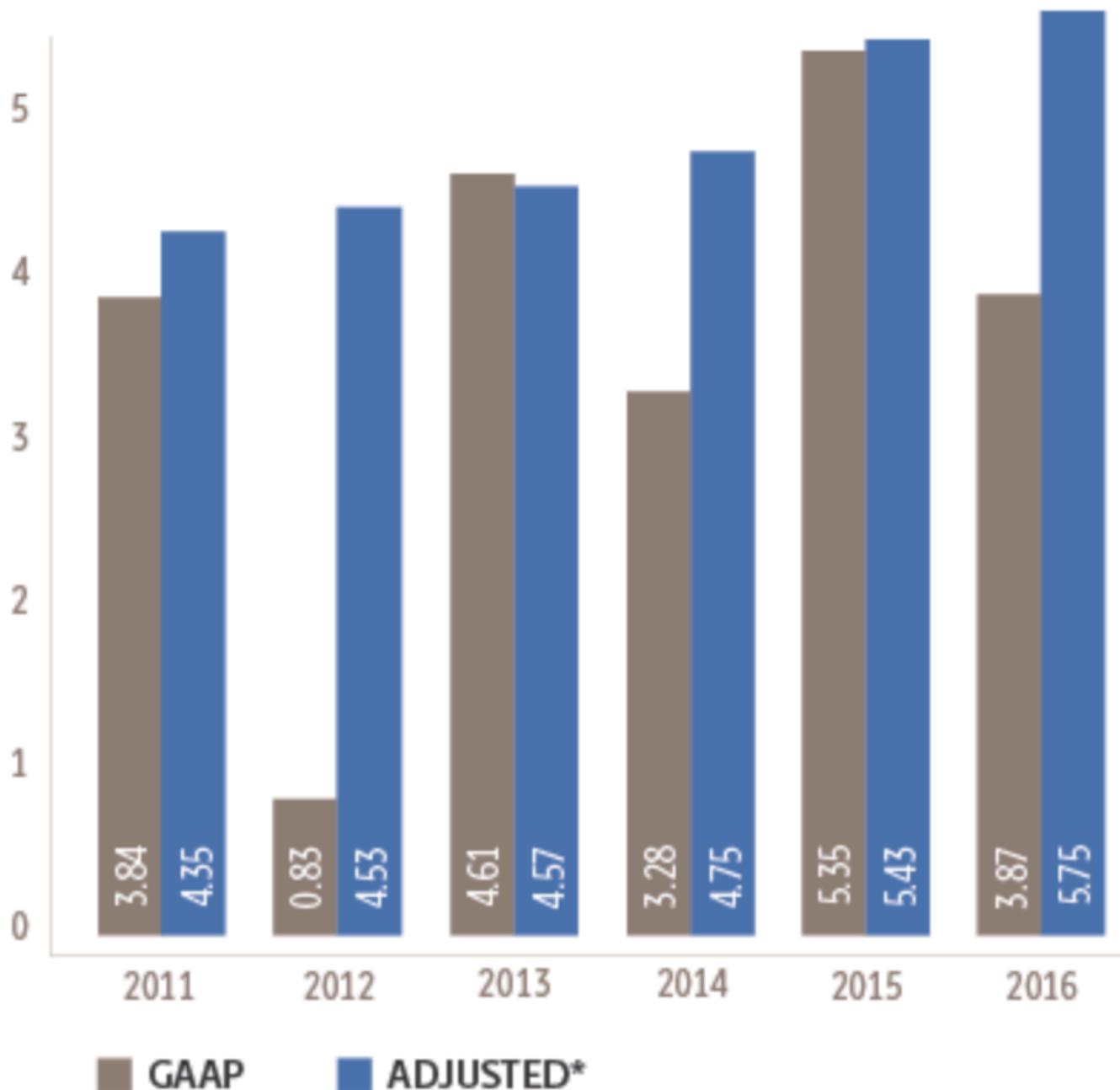


(Source: IP site)

UPS has had rising Adjusted earnings over the past 5 years:

DILUTED EARNINGS

in dollars per share



(Source: UPS site)

All tables furnished by DoubleDividendStocks.com, unless otherwise noted.

Disclosure: Author owned no shares of any stock mentioned in this article at the time of publication.

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