



## 5 Companies With The Capacity to Return More Cash to Shareholders

### Description

In the spirit of the Agrium/Jana proxy battle, let's take a hypothetical view at some other Canadian companies that are potentially stifling shareholders on the return of capital front.

In the five years prior to Jana's interjection, according to Capital IQ, Agrium had generated total free cash flow of \$2.2 billion. Over that same period, the company paid out a total of \$85 million in dividends and spent \$35 million on share buybacks. This amounted to a payout of just 5.4% of Agrium's accumulated free cash.

Shortly after Jana began making noise, Agrium significantly bumped the dividend and installed a sizeable buyback. In 2012 Agrium generated free cash of \$837 million, paid out \$115 million in dividends and bought back \$913 million worth of stock. A payout rate of 123% was the result.

Shareholders demonstrated their approval of Agrium's loosened purse strings by driving the stock up 45% in calendar 2012.

### 5 that might be next

To uncover several other names that may have caught the eye of an activist like Jana, we're going to look at Canadian companies that have generated significant free cash flow over the past 6 annual periods relative to what they have paid out through dividends and share buybacks. Tabled below are five intriguing non-financial companies that turned up with the lowest free cash payouts to shareholders.

Company Name	Total Levered FCF	Payout
<b>OpenText Corp.</b> (TSX:OTC,NASDAQ:OTEX)	\$1,337	2.8%
<b>Cott Corp.</b> (TSX:BCB)	357	3.9%

<b>Stantec Inc.</b> ( <a href="#">TSX:STN</a> )	435	10.6%
<b>Constellation Software Inc.</b> ( <a href="#">TSX:CSU</a> )	723	17.3%
<b>Westjet Airlines Ltd.</b> (TSX:WJA)	1,691	20.2%

Source: Capital IQ

## The Foolish Bottom Line

Each of these companies has demonstrated an ability to generate significantly more cash than it's currently returning to shareholders. High return growth opportunities (ie. acquisitions) hopefully have a lot to do with it. These growth opportunities won't last forever and when they run out, management needs to be aware enough to switch gears and start diverting the free cash in another direction – like back to shareholders. Given the Agrium/Jana tiff, if management isn't willing to do the gear shifting, someone else is bound to do it for them!

Record low-interest rates have left investors clamouring for alternate sources of income, meaning dividends have never been more important. 13 U.S. companies that promise to fill the income void created by low-interest rates are profiled in our special report “**13 High Yielding U.S. Stocks to Buy Today**”. [Click here now](#) to access this FREE report that will have you rolling in dividend cheques before you know it. You're just [one click](#) away from dividend nirvana!

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*Fool contributor Iain Butler does not own shares of any company mentioned at this time. The Motley Fool owns shares of Open Text.*

## CATEGORY

- Investing

## TICKERS GLOBAL

- NASDAQ:OTEX (Open Text Corporation)
- TSX:CSU (Constellation Software Inc.)
- TSX:PRMW (Primo Water)
- TSX:STN (Stantec Inc.)

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