



Potash – Canada’s Best Dividend Stock?

Description

Potash (TSX:POT,NYSE:POT) announced yesterday that it was hiking its dividend, again. The quarterly payout was increased to \$0.35 from \$0.28, a 25% raise. At yesterday’s closing price of \$44.12, this new payout results in a yield of 3.2%. This is the fifth (fifth!) time Potash has bumped its dividend since 2011 and has resulted in a cumulative increase of 950% over this period. Wow!

Behind this remarkable run of dividend increases is Potash’s slow progression into becoming a free cash flow machine. As cash flow from operations has ramped higher in recent years, so too has capital spending as the company has invested in growing its mining operations. However, going forward, cash from operations (CFO) is expected to remain at current levels while capital spending is set to roll over as the expansions are finalized. Cap ex is expected to fall to below \$1 billion by 2015 after peaking north of \$2 billion in 2011.

More to come?

Under this scenario, Potash is staring at least \$2.5 billion or \$2.89/share of annual free cash flow in the face by 2015. With a new annual dividend payout of \$1.40/share, it’s reasonable to assume that further increases are in store, especially if the price of the underlying commodity were to co-operate.

Potash already had a great story to tell with its dominant position in the global food chain. Its shareholder friendly dividend policy just makes the story that much better.

In our report “**13 High-Yielding Stocks to buy Today**” we profile a host of top-notch companies that will have you rolling in dividend cheques before you know it. [Click here for instant access to this free report.](#)

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Fool contributor Iain Butler is short \$40 July 2013 puts and owns shares outright of Potash. The Motley Fool doesn’t own shares in any of the companies mentioned.

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