



3 Dividend Growth Machines for the Next Decade

Description

Dividends are an investor's best friend, especially during turbulent markets. If you pick the right investments, dividends will always be there, even if Mr. Market decides to send share prices lower. Dividends will both insulate an investor from losses and help boost returns during good times. If you reinvest your dividends into new shares, you can really supercharge your returns.

The holy grail for many investors are companies that consistently grow their dividends. A growing dividend stream can help retirees ensure they have enough income to cover expenses after inflation. And since dividends are taxed so efficiently, an investor doesn't need to generate as much income as they might from other, less tax efficient, sources.

Here are three companies that are primed to grow their dividends for the next decade.

Rogers Communications

Shares in **Rogers Communications** ([TSX:RCI.B](#))([NYSE:RCI](#)) have been beaten up lately, mostly due to lackluster 2013 results. This could be a terrific chance to pick up shares of Canada's wireless leader on the cheap, depressed to the point where the dividend yields 4.3%.

Rogers recently announced a dividend hike from 44 cents quarterly to 46 cents, for a payout ratio of 57%. It is also trading at a very reasonable P/E ratio of slightly more than 13 times trailing earnings. Rogers has been aggressively investing in its business, spending \$3.3 billion on the latest 700 MHz [spectrum auction](#), and recently announcing a huge content deal with the NHL, worth \$5.2 billion over 12 years. These are prudent investments that will bear fruit for years to come.

Although Rogers is experiencing some weakness in cable subscriber growth, it is still well positioned to maintain its position as wireless leader. Its investment in sports content will help slow the stream of customers who are cutting the cord on their cable, since sports can't be conveniently viewed later.

Empire Company

Empire Company ([TSX:EMP.A](#)) is the parent company of Canadian grocer Sobeys, which was in the

news in 2013 for its huge \$5.9 billion acquisition of **Safeway's** (NYSE:SWY) Canadian stores, which further beefed up its presence in western Canada.

Sobeys has pledged to cut \$200 million in costs after completion of the deal, and it has already started to use its increased buying power to be aggressive with suppliers, indicating that it would not accept any price increases in 2014.

Analysts are expecting Empire's earnings to grow to \$6.22 per share in 2015, a forward P/E of just 11. It currently pays out a quarterly dividend of 26 cents, which is an almost microscopic payout ratio. There's still plenty of room for the company to both increase its dividend and aggressively pay down the debt needed to finance the Safeway deal.

The only downfall is the current yield of just 1.5%. Still, it has more than doubled the dividend since 2004, and should raise it again for its first quarter payout in April. Prospects are looking great for Empire.

Saputo

Saputo ([TSX:SAP](#)) is a dairy producer in Canada, the United States, Argentina, and most recently Australia with the acquisition of Warrnambool Cheese and Dairy. It has been aggressive on the acquisition trail recently, including buying Morningstar Foods in the U.S. in 2012 and Neilson Dairy from **Loblaw** ([TSX:L](#)) in 2008.

The Australian acquisition is very interesting for the company's future. It gives it a base to start exporting dairy products to China and other markets in Asia, where current dairy consumption is less than Europe and North America. China is expected to grow dairy consumption 13% annually over the next five years, and Saputo is well positioned to benefit.

Saputo has almost quadrupled its dividend since 2004, and it has a current payout ratio of just 35%. While the current yield is only 1.7%, this is partially because the stock has gone up so much. Saputo is well positioned to deliver growth for the next decade.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
2. TSX:EMP.A (Empire Company Limited)
3. TSX:L (Loblaw Companies Limited)
4. TSX:RCI.B (Rogers Communications Inc.)
5. TSX:SAP (Saputo Inc.)

Category

1. Investing

Date

2025/07/28

Date Created

2014/02/20

Author

nelsonpsmith

default watermark

default watermark