You'll Never Guess Which TSX Stock Has the Fastest-Growing Dividend

Description

I bet you can't guess which company has raised its dividend faster than any other member of the **S&P/TSX 60** index over the past decade.

Think for a moment about which company you believe would hold this title. A company with an unwavering commitment to rewarding shareholders, but also a growing business to fund those ever-increasing payouts.

Did you come up with reliable dividend payers like **Royal Bank of Canada** (TSX: RY)(NYSE: RY), **Suncor** (TSX: SU)(NYSE: SU), or **Tim Hortons** (TSX: THI)(NYSE: THI)?

You're close. But while these companies are dividend champions in their own right, it wasn't enough to secure a place on the top of this list.

In actuality, the fastest growing dividend within the large-cap S&P/TSX 60 index is …

Rogers Communications

Ever since **Rogers Communications** (TSX: RCI.B)(NYSE: RCI) started paying regular dividends in 2003, it has been an income investor's favourite.

Thanks to rising wireless and cable revenues, the communications giant has increased its quarterly dividend 2,200% over the past decade — handily outpacing any other company in the index. Today, the stock yields a hearty 4.2%, much to the delight of yield-hungry investors looking for an alternative to low interest rates.

Of course, Rogers will not post another four-digit percentage dividend increase over the next 10 years. That was the result of an unusually low payout at the beginning of this period and exceptional growth in the wireless industry. However, the company will likely continue to post above-average dividend growth and strong returns over the next decade.

The reason for the rosy outlook? First, the company owns an irreplaceable asset. While it's easy to enter, say, the restaurant business, another company can't simply come along and build its own wireless or cable network. When you find a stock that gives you access to irreplaceable assets, they often end up being the most lucrative to own over the long haul.

Second, there are incredibly high switching costs. Most customers can't even be bothered to check their monthly cable and cell phone bills, let alone compare prices from different providers and make a switch. It's a hassle. By locking in a loyal customer base, Rogers can generate strong free cash flow and superior profit margins year after year.

All of this translates into enormous shareholder yield. Of course, I've already mentioned the stock's healthy dividend. However, the company has also bought back an enormous amount of its own stock — $2.8 billion over the last four years. This has allowed investors to grow their stake in a wonderful business tax-free.

Of course, the Rogers bull thesis has some holes. Television customers are beginning to cut the cord, putting pressure on the company's cable business. And as the wireless space matures, competition for dwindling new customers will drive down margins.

However, it's not the end of the world for Rogers. For one, cord-cutters (like myself) still rely on the internet as substitute for television, and there's still a cord running into your house to deliver data.

The company that owns that cord is still in the position to charge high prices regardless of whether its a cable or internet wire. Over the long term, most analysts suspect that losses in the company's cable division will just become profits in its internet business.

Guy Laurence, the British executive who took over as CEO in December, has also unveiled a restructuring plan to reignite growth. The new strategy calls for shaking up the company's management ranks and improving customer service.

This is still a wonderful business with a great track record of rewarding shareholders. That's why it deserves a core position in any income portfolio.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:RCI (Rogers Communications Inc.)
2. TSX:RCI.B (Rogers Communications Inc.)

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rbaillieul