A Stable, Growing 4% Dividend for Your Portfolio

Description

In Canada, it's not easy to find safe, growing dividends with a decent yield. This is mainly because our stock market is dominated by volatile sectors like financial services, energy, and materials. But it's also because there is a very high demand for reliable dividend payers, which pushes up their stock prices, thereby decreasing yields.

On that note, there is one company in particular worth highlighting: **Shaw Communications** (TSX: SJR.B)(NYSE: SJR). Below we look at three reasons why Shaw is an ideal holding in a dividend portfolio.

1. Subscription-based revenue

This is something that applies to all of Canada's telecom players, yet still cannot be emphasized enough. When customers must keep coming back to you and pay you regularly for your product, revenue becomes a lot more stable and predictable. Approximately 80% of Shaw's revenue is subscription-based.

Because of this, Shaw is able to pay out a very high proportion of its earnings as dividends; last year the company paid out over $1 per share to shareholders, a high number considering the company had earnings of only $1.63 per share in fiscal 2013. By comparison, the banks only pay out 40%-50% of earnings to shareholders.

2. A great franchise out west

Shaw is concentrated mainly in western Canada, competing mainly with **Telus** (TSX :T)(NYSE: TU). Even though Shaw isn't considered one of the "big three", it can still hold its own, with about 2 million internet subscribers, 2 million TV subscribers, and nearly 1.5 million phone subscribers.

Being concentrated in one region has its advantages, and is certainly more ideal than being thinly spread across the entire country. It allows Shaw to keep network costs under control. Marketing dollars can be spent in more targeted ways. Also, with a strong regional market share, Shaw gets reasonable pricing power.

This shows up in the company's numbers, where average revenue per unit has increased by about 27% over the past four years. Shaw also has industry-leading profit margins.

3. A track record of dividend growth

By now, this should not be surprising to anyone, but Shaw is a consistent dividend grower. Just over the past decade, the dividend per share has increased every year, going from $0.02 per share in 2003 to about $1 per share last year.

On that note, Telus has a similar track record. Back in 2003, the company paid out $0.30 per share in dividends, a number that has increased every year since — last year the dividend totaled $1.36 and was raised twice. The two companies have a very similar yield too, with Shaw at 4% and Telus at 3.7%, so in fact they are both worthy of consideration.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:SJR (Shaw Communications Inc.)
2. NYSE:TU (TELUS)
3. TSX:SJR.B (Shaw Communications)
4. TSX:T (TELUS)

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Date
2025/07/26
Date Created
2014/06/19
Author
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