3 Little-Known Dividend-Paying Industrial Stocks

Description

With the global economy recovering well from the last recession, industrial stocks have been outperforming the broader market as a whole. According to data compiled by Morningstar, industrial stocks have ascended 20.55% over the past five years, while the **S&P 500** trails that figure, with a 17.55% increase. If you believe the economy will continue its positive momentum, then industrial stocks could be the right investment for you.

The three dividend-paying companies are all involved in the heavy equipment business, and due to Canada's resource-based economy, heavy equipment demand skyrockets when the economy is on positive footing.

1. Finning International

Finning International's (TSX: FTT) current dividend yield is 2.23%. The company has increased its annual dividend payment since it was introduced back in 1998.

Finning Interntaional is a great indirect play on Canada's resource sector. As the world's largest **Caterpillar** (NYSE: CAT) dealer, the company provides equipment that miners need in order to operate. In addition, Finning supplies equipment to the construction and forestry sector. Finning's stock is currently trading near its 52-week high, and is close to its all-time high reached in 2007 before the start of the last recession.

Last year, Finning's results matched analysts' expectations on revenue and EPS. In the first quarter this year, Finning topped on revenue but missed on EPS.

I believe that given the stock's current, lofty position, some fresh data may be needed to warrant too much higher of a climb. Recently, there has been plenty of strong macroeconomic data to propel the company's stock higher so the upcoming earnings report could be the next point of inflection. Finning International is scheduled to report on August 7 and a beat on both revenues and EPS will likely be necessary for the stock to climb much higher.

2. Toromont Industries

Toromont's (TSX: TIH) current quarterly dividend payout is $0.150 per share which it declared in November 2013. The prior quarterly dividend was $0.130. The company has consistently hiked dividends since their introduction. Its annual dividend yield is 2.29%.

Toromont Industries operates in two business segments: the Equipment Group and CIMCO. The Equipment Group includes Caterpillar and rental operations. CIMCO is engaged in the design, engineering, fabrication and installation of industrial and recreational refrigeration systems. Toromont's second-quarter results showed revenue and earnings increased, year-over-year, and the improvement was in line with expectations.

Other than attracting investors with a consistent dividend payout, Toromont Industries has posted very steady financial results over the past few years. Since 2011, revenues and dividend payouts have been on the upswing.

One caveat, basic EPS fell in 2012 compared to 2011, while EPS from continuing operations have also staged a consistent upward trajectory.

3. Ritchie Bros. Auctioneers

Ritchie Bros. Auctioneers (TSX: RBA)(NYSE: RBA) pays a quarterly dividend of $0.130 per share, making its current annual dividend yield 2.13%. The company has consistently increased its dividend since 2003.

Ritchie Bros. Auctioneers is another company that offers investors exposure to heavy equipment, but in a slightly different fashion than Toromont and Finning. The company hosts auctions for heavy equipment. This means that it is a little less dependent on a perfectly operating economy to profit.

This can be seen when you compare the chart of Ritchie Bros. and Finning over the past 10 years. During the last recession, Finning shares plunged, from a peak of $33.09 down to a low of $10.35. Ritchie Bros. shares on the other hand fell from $27.71 down to $18.60, and the descent was not as dramatic.

Ritchie Bros. auctions used equipment, so there's a chance that demand won't fall off a cliff like Finning's in times of economic struggle. It is quite possible that when the economy turned sour, Ritchie Bros. may have actually taken away some of Finning's business, as some companies tried to cut costs by buying used equipment, while others tried to raise funds by selling off equipment they did not need.

Like the other industrial companies, Ritchie Bros. Auctioneers is still a good bet on an improving economy, but is likely to show more stable performance across different phases of the economic cycle.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:CAT (Caterpillar)

2. NYSE:RBA (Ritchie Bros. Auctioneers)
3. TSX:FTT (Finning International Inc.)
4. TSX:RBA (Ritchie Bros. Auctioneers)
5. TSX:TIH (Toromont Industries Ltd.)

Category

1. Investing

Date
2025/08/15
Date Created
2014/07/30
Author
lklingel