



3 Growth Companies Poised to Pay Surging Dividends

Description

Dividend growth investing has become extremely popular, for obvious reasons. Investors love getting paid each quarter just for owning a stock. Cash is something tangible that can either be spent or reinvested, depending on an investor's goals. Sure, investors often choose to plow that income right back into the same company, but at least they have a choice of what to do with it.

Besides, it's not so much that dividends themselves are important, but what they represent. By paying a dividend, a company is essentially saying that it's so profitable it couldn't possibly spend all of its earnings. Those are the kinds of companies investors should own.

Younger investors should concentrate on a certain subsection of the dividend growth market. Since they have no need for current income, investors in their 20s and 30s should find stocks that pay low current yields, but have low payout ratios and terrific growth prospects ahead. By the time these stocks grow into mature dividend payers, these investors will be nearing retirement age, making them true buy and hold forever stocks.

Here are three of my favorite high growth stocks.

Suncor Energy Inc.

Even though Suncor Energy Inc. ([TSX: SU](#))([NYSE: SU](#)) is already the largest oil producer in Canada with a \$64 billion market cap, there's little evidence it's slowing down.

The company is the leader in the oil sands, producing more than 400,000 barrels of oil per day from the region. Even though it recently pulled the plug on two planned joint ventures in the area, it has several more that are nearing completion. When they come on line production could increase another 20%.

And that's just in the next couple years. Suncor has such massive reserves that it can continue operations for more than three decades at its current rate and still not run out of oil. Analysts predict that the oil sands will continue gushing crude until a decade or so into the *next century*. There are still plenty of growth opportunities available to every player in the region, but especially Suncor.

After a recent 20% dividend increase, shares currently yield 2.5%. But considering the company's payout ratio is still below 40% and the potential earnings growth coming from future expansion, investors are getting a company with huge dividend growth potential.

Saputo Inc.

Saputo Inc. ([TSX: SAP](#)) is doing a terrific job of turning a traditionally boring sector — milk and dairy production — into a terrific growth opportunity.

Because dairy is such a fragmented industry around the world, opportunities exist for the company to acquire small and medium local producers in all sorts of places. It's already consolidated Canada, as well as acquiring operations in the U.S., Argentina, and most recently, Australia. Management has several more countries on its radar too.

Shares currently only yield 1.6%, but that's on a payout ratio of just 40%. Even if the company doesn't increase the payout ratio, it should still grow fast enough to ensure annual dividend hikes for many years.

AutoCanada Inc.

AutoCanada Inc. ([TSX: ACQ](#)) is quite possibly sitting on the best growth potential of any publicly traded Canadian company, consolidating the fragmented car dealership industry. The company currently owns just 35 dealerships, with the potential to buy hundreds more.

Of course, you'll have to pay up. Even after shares sold off nearly 25% after their all-time high set in June, the company still trades at a rich P/E multiple of more than 36 times. It looks a little more attractive if you look at estimated 2015 earnings, but investors are still paying a pretty penny to own this stock.

Still, the company's shares currently yield 1.4%, and it's raised its dividend four times over the last year. The payout ratio is a little more than 50% current earnings, but will decrease significantly if the company can deliver its expected growth numbers.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:ACQ (AutoCanada Inc.)
3. TSX:SAP (Saputo Inc.)
4. TSX:SU (Suncor Energy Inc.)

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