3 Dividends Poised to Surge in 2015

Description

In bull markets, it's easy to shrug off dividends. If stocks are returning 10% or 12% a year, a 3% dividend doesn't seem like a whole lot. When investors open up their statements and see gains month after month, it's easy to gloss over dividends, which may feel so insignificant in comparison.

Bear markets are when dividends are really worth their while. Not only does a dividend help offset negative returns, but it also frees up cash that can be used to repurchase additional shares at a discount. Once these shares recover again, investors are treated to an even larger investment throwing off even more income.

Even though the overall market is weak, most businesses are chugging along as usual. This gives investors the chance to pick up dividend growth stocks that are on sale, each with undersized dividends that should continue to increase in 2015. Here are three of my favorites.

Suncor Energy

Thanks to the well-publicized decline in the price of oil, investors have a great opportunity to pick up **Suncor Energy Inc.** (TSX: SU)(NYSE: SU) shares on the cheap.

Because of the decline in the Canadian dollar and the decrease in the spread between the price of Suncor's heavy oil and lighter oil, Suncor's exposure to plunging crude prices isn't as bad as it appears on first glance. It is also diversified into different downstream businesses, including refining, supplying lubricants, and more than 1,500 Petro Canada gas stations.

Since 2009, Suncor's dividend growth record has been one of the best in the oil patch. The company's quarterly payout has surged from $0.10 per share all the way up to its most recent increase, which bumped the dividend up to $0.28 per share.

Suncor has earned $2.58 per share over the last 12 months, giving it plenty of room to increase the dividend in 2015 even if oil prices don't improve. Investors who buy in now are getting a yield of more than 3%, easily beating a government bond or GIC.

Saputo

One of my favorite growth stories involves a sector that, at first glance, seems about as boring as it gets.

Saputo Inc. (TSX: SAP) is Canada's largest dairy producer, with operations also in the United States, Argentina, and Australia. Since the sector is so fragmented across the world, the company has ample opportunity to buy small and medium sized producers almost anywhere on the planet. Management has identified Brazil, New Zealand, and the United States as potential acquisition locations, with the long-term plan to start exporting to China, which is poised to increase its per capita dairy consumption significantly.

Saputo pays investors a 1.6% dividend, but it can boast annual dividend increases for as long as it has been publicly traded. And since the company's payout ratio is only 38%, it can easily afford to pay a richer dividend. Look for increases to continue in 2015.

Telus

Telus Corporation (TSX: T)(NYSE: TU) is perhaps Canada's best dividend growth stock. It's hard to find a whole lot wrong with the company.

It continues to steal wireless customers from its competitors, offering a combination of good prices and great customer service. Television is another bright spot, which continues to grow nicely while its competitors are seeing weakness. Plus, the latest quarter say operating margins that were nearly 20% higher than last year.

Management continues to take care of shareholders, too. The company's share count has decrease nearly 10% since the end of 2012, while the dividend has been raised three times, resulting in a 20% increase. Management has pledged these increases will continue at least until 2016, and shares yield nearly 4%. Plus, Telus is the perfect defensive stock for uncertain times, since investors will flock to it during any prolonged weakness.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

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2. NYSE:TU (TELUS)
3. TSX:SAP (Saputo Inc.)
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Author
nelsonpsmith