



3 Top Dividend Growth Stock Picks for 2015

Description

There's little wonder about why dividend growth investing has become more popular.

Retirees everywhere are looking for a dependable income stream. Some 9.2 million Canadian baby boomers are approaching their golden years, many of whom don't have the luxury of a defined benefit pension. Other boomers have focused on other financial goals, like paying off the house or putting the kids through college. Now that retirement age is creeping up on these folks, dividend growth investing seems to be the answer to a lot of their problems.

When executed correctly, dividend growth investing gives an investor access to a steadily improving stream of income while the underlying security rises with the overall stock market. It isn't the stock price that's overly important, but the value of the income. As long as it's creeping in the right direction, life is good.

There are dozens of stocks out there with good histories of dividend growth. Where should you start? Let's take a closer look at three dividend payers which are looking attractive going into 2015.

Telus Corporation

There aren't many negative things you can say about **Telus Corporation** ([TSX: T](#))([NYSE: TU](#)) these days. The company's performance is firing on all cylinders.

It's finest division might be wireless. Telus has consistently attracted more customers than it has lost over the last few years. During its last quarter, Telus led the way with 136,000 net new wireless subscribers, as well as posting a churn number of 0.9%. Those are both industry-leading numbers.

Because Telus is delivering such great results, shareholders are being rewarded. Between share buybacks and dividends, Telus has returned more than \$1.4 billion back to shareholders in 2014 alone. Annualized, the company is on pace to return more than 7% of its market cap back to shareholders. And, according to management, the company plans to continue this until at least 2016.

Boardwalk REIT

With home prices still rising in many of Canada's major centers, many young people simply can't afford to enter the realm of home ownership. This leaves plenty of good potential tenants for **Boardwalk REIT** ([TSX: BEI.UN](#)), one of Canada's largest owners of apartments.

The REIT, which began with one single apartment building in Calgary in 1984, has grown to more than 35,000 units across Alberta, Saskatchewan, Ontario, and Quebec. Calgary remains the company's top market, which has some of the lowest vacancy rates in the country. Tight conditions translate into regular rent increases for tenants, and for investors, regular dividend hikes as well.

Unlike some of its competitors, Boardwalk hasn't gone nuts with acquisitions, actually being a net seller of property since 2008. Instead it has been using excess cash flow to improve current buildings as well as start developing some of its excess land. Analysts estimate it could add up to 1,000 units without buying additional land.

Shares only yield 3%, but the company's payout ratio one of the lowest across the REIT universe. There's plenty of room for dividend hikes in the future.

Saputo

Saputo Inc. ([TSX: SAP](#)) has quietly positioned itself as a major growth company going forward, even though it already has a market cap of nearly \$13 billion.

After consolidating the Canadian market with a series of acquisitions, the producer of dairy products turned its attention south of the border, making a couple of major acquisitions stateside. Then it set its sights on Argentina, and finally, earlier this year, it acquired Australia's oldest dairy.

But that's just the start. Management has identified other markets with potential, including New Zealand, Brazil, or even closer to home in North America. There are still plenty of small producers around the world for it to acquire, and plans are under way to crack the holy grail of markets — China — via exports from Australia.

Although Saputo's dividend is only 1.6%, it sports a low payout ratio of just over 33% of its net earnings. What it lacks in current yield it makes up for in growth, increasing the dividend an average of 20% annually since its 1999 IPO.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:TU (TELUS)
2. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)
3. TSX:SAP (Saputo Inc.)
4. TSX:T (TELUS)

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Date

2025/08/10

Date Created

2014/11/26

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