2 Dividend-Growth Stocks That Won't Upset Your Stomach

Description

Many investors are reaching for the antacid medication these days as their former dividend darlings are falling like rocks and slashing distributions.

This is especially the case in the commodity sector where energy and metals prices have really taken it on the chin.

Fortunately, there are some sectors that remain strong, and the outlook for the top names in these industries remains robust.

Here are the reasons why I think dividend-growth investors should consider **Metro Inc.** (TSX:MRU) and **Fortis Inc.** (TSX:FTS) in the current environment.

Metro

Metro operates more than 600 groceries stores and 250 pharmacies in Quebec and Ontario.

The company does a fantastic job of controlling costs and has a nice blend of both high-end and discount brands to ensure it captures consumers at all levels of the market.

As the Canadian boomer population moves through the retirement years, Metro's drug stores offer a safe way to invest in a powerful demographic trend.

Metro just reported another quarter of solid results. The company increased year-over-year sales by 4.5%. Net earnings hit $131.7 million, up 13.9%, and fully diluted earnings per share rose 18.2% to $0.52.

Metro pays an annualized dividend of $1.40 per share that yields about 1.2%. Investors shouldn't be put off by the low yield because the company raises the distribution significantly on an annual basis and the stock has risen 150% in the past five years.

Fortis

Fortis operates electricity generation and natural gas distribution assets in Canada, the United States, and the Caribbean. That doesn’t sound very exciting, but investors who want to sleep well at night are perfectly happy with boring, steady-eddy picks.

Fortis gets nearly all of its revenue from regulated assets, which means cash flow and earnings should be reasonably reliable and predictable.

The company reported strong Q3 2015 earnings of $145 million, or $0.52 per share, up from $0.21 per share in the same period last year.

The big boost in earnings occurred as a result of two new assets. Fortis spent $4 billion in 2014 to purchase Arizona-based UNS Energy. The deal gave the company a more balanced geographic footprint and the integration has gone so well that management recently hiked the dividend by 10%.

Fortis also just completed an expansion of its hydroelectric facility in British Columbia, which is now contributing a nice stream of cash flow.

Fortis pays a quarterly distribution of $0.375 per share that yields about 4%. The company has raised the payout every year for more than four decades.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FTS (Fortis Inc.)
2. TSX:MRU (Metro Inc.)

Category

1. Dividend Stocks
2. Investing

Date
2025/07/08
Date Created
2015/11/20
Author
aswalker