3 Companies Poised to Grow Their Dividends by 15%

Description

When searching for dividend stocks on the TSX, it's usually a mistake to focus on the highest yields. The past 12 months have certainly taught us that.

Instead, we should look for companies that are *growing* their dividends. It's a lesson that may seem obvious, but it's a strategy that too many investors fail to follow.

On that note, *The Business News Network* recently showed a list of top dividend-growth stocks from Desjardins Securities. And according to Desjardins, the three companies listed below are poised to raise their dividends by 15%.

1. Metro

If you're looking for safe dividend stocks, Canada's grocery retailers are a great place to start. The industry is dominated by three heavyweights, helping to keep profit margins healthy, and these incumbents are protected by high barriers to entry. Better yet, grocery stores are very resilient in bad economic environments, which should make perfect sense.

Metro Inc. (TSX:MRU) has the best history of the three big players by far, and it shows in the numbers. Since 1994 Metro has earned a return on equity of at least 14% and has grown its dividend every year. In fact, its dividend has grown by 20% per year over this time.

Looking ahead, Metro is targeting 8-10% growth in earnings per share. And since the company pays only 20-30% of profits to shareholders, achieving 15% dividend growth should be easy, if that's what the company wants to do.

2. CN Rail

Railroads may have higher barriers to entry than any other industry in North America, simply because the cost of building a track network is prohibitive. This puts incumbents such as **Canadian National Railway Company** (TSX:CNR)(NYSE:CNI) at a huge advantage and makes it an ideal dividend payer.

CN also has a far superior track network to its main rival, **Canadian Pacific Railway Limited**. So as long as we need goods shipped, CN will be a great dividend payer.

There are some downsides. CN is much more cyclical than Metro, and the decline in oil prices isn't helping. But with such a small dividend and a sustainable business model, CN is poised to grow its payout for many years to come.

3. Manulife

Of all the major financial services firms in Canada, none suffered more than **Manulife Financial Corp.** (TSX:MFC)(NYSE:MFC). The company even struggled to stay afloat.

Coming out of that experience, Manulife did not want to fall into trouble, and capital preservation became the number one priority. For that reason, the company maintained a very low payout ratio.

Now the company's attitude appears to be changing. And it has excellent growth prospects, thanks mainly to its strong wealth management arm and its foothold in Asia. So even with a yield of nearly 4%, you should see strong dividend growth this year and beyond. The company's presence on Desjardins's list is not surprising.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CNI (Canadian National Railway Company)
2. NYSE:MFC (Manulife Financial Corporation)
3. TSX:CNR (Canadian National Railway Company)
4. TSX:MFC (Manulife Financial Corporation)
5. TSX:MRU (Metro Inc.)

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