

## 3 Great Dividend Stocks You've Never Heard of

### Description

Here at Motley Fool Canada, we spend a lot of time covering Canada's largest stocks.

It's only natural; after all, the vast majority of investor time and capital gets dedicated to the mega-cap world. We want to cover stocks that are interesting to people, so we follow the crowd.

But perhaps there's another way. There are some 4,000 stocks listed on the TSX and the TSX Venture exchanges. Among those stocks are some incredible opportunities. Some are terrific value stories. Others have great dividends. And some are even rotten to the core, run by corrupt management teams out to enrich themselves at the expense of shareholders.

Fortunately, there aren't many of that last type.

Here are three dividend stocks I like that aren't on many investors' radars.

### Transcontinental

On the surface, it would appear **Transcontinental Inc.** ([TSX:TCL.A](#)) is in a dying industry. The company is Canada's largest commercial printer, producing everything from advertising materials to food labels. Most of its revenue comes from printing newspapers and flyers.

Transcontinental has a dominant position in flyers. If you're reading it, chances are it came from a Transcontinental printer. Retailers are still as committed to flyers as ever, and studies show they're still an effective driver of traffic.

Although the newspaper world is slowly shrinking, Transcontinental is making some serious progress in that sector as well. Major newspapers are contracting out their printing to the company to save money. First it was *The Globe and Mail*, but Transcontinental just announced a similar deal with the *Toronto Star*.

The stock is trading at a very cheap valuation. Over the last year the company earned \$3.03 per share in earnings, a number partially lifted by the sale of its magazine division. Free cash flow was almost as impressive, coming in at nearly \$4.50 per share. Based on the price today, the stock trades at less than four times free cash flow.

Transcontinental also has a great dividend. The quarterly payout is \$0.17 per share, good enough for a 4.2% yield. Dividend growth has been spectacular as well. In 2004 the company paid out just \$0.17 annually in dividends. That's a growth rate of more than 13% annually.

### Aimia

You might know **Aimia Inc.** ([TSX:AIM](#)) better by the company's former name, Groupe Aeroplan. Aimia takes care of everything to do with Canada's largest customer rewards program.

Shares have been hit lately as Aeroplan sales have been weak. A couple of things have contributed to this temporary decline, including slowing consumer spending in general and increased competition in the travel credit card market. Some 30% of revenue comes from Aeroplan-branded credit cards from two of Canada's major banks.

But the company is working on expanding away from Aeroplan. It's also well equipped to handle even an extended downturn with more than \$500 million worth of cash on the balance sheet and free cash flow of \$0.65 per share through the first three quarters of 2015. At just over \$9 per share, the stock looks attractive on a price-to-free cash flow basis.

The dividend is a very impressive 8.4% as well, a payout that looks to be covered by free cash flow going forward.

### North West Company

Most people are unaware that the original **North West Company Inc.** ([TSX:NWC](#)) from Canada's early days is still around. Not only has the company survived, but it's carved out a nice niche as Canada's only retailer with a large presence in the northern part of the country. It has also expanded into the Caribbean.

North West concentrates its efforts in small communities and is often the only store in town. Stores offer everything from food to clothing to things like income tax returns. With very few competitors, the company is almost free to charge what it wants.

This has led to solid results. North West shares have crushed the TSX Composite over the last five years, all while increasing its dividend along the way. In 2011 the dividend was \$0.24 per share each quarter. These days the payout is \$0.31 quarterly, good enough for a current yield of 4.5%.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:AIM (Aimia Inc.)
2. TSX:NWC (The North West Company Inc.)
3. TSX:TCL.A (Transcontinental Inc.)

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