



3 of the Market's Most Underrated Dividend-Growth Stocks

Description

As history has shown, owning a portfolio of dividend-paying stocks is a great way to build wealth over the long term, and this investment strategy generates the highest returns when you own stocks that deliver increasing payouts every year.

However, when most investors think of dividend-growth stocks, they immediately think of utilities like **Fortis Inc.** or banks like **Royal Bank of Canada**, and they completely overlook other great options.

With this in mind, let's take a look at three underrated dividend-growth stocks from different industries that you could add to your portfolio today.

1. Toromont Industries Inc.

Toromont Industries Inc. ([TSX:TIH](#)) is one of the leading suppliers of specialized mobile equipment and industrial engines and one of the leading designers of industrial and recreational refrigeration systems in North America. It currently pays a quarterly dividend of \$0.18 per share, or \$0.72 per share annually, which gives its stock a yield of about 2.1% at today's levels.

Investors must also make two notes.

First, Toromont has raised its annual dividend payment for 26 consecutive years, and its 5.9% hike in February has it on pace for 2016 to mark the 27th consecutive year with an increase.

Second, the company has a target dividend-payout range of 30-40% of its trailing earnings from continuing operations, so I think its consistent growth, including its 8.7% year-over-year increase to \$1.88 per share in fiscal 2015, will allow its streak of annual dividend increases to continue for the next several years.

2. Royal Gold, Inc.

Royal Gold, Inc. (TSX:RGL)([NASDAQ:RGLD](#)) is one of the world's largest precious metals royalty and stream companies with ownership interests in 195 properties on six continents, including 38 producing

mines and 24 development-stage projects. It currently pays a quarterly dividend of US\$0.23 per share, or US\$0.92 per share annually, which gives its stock a yield of about 1.8% at today's levels.

Investors must also make two notes.

First, Royal Gold has raised its annual dividend payment for 14 consecutive years, and its 4.5% hike in November 2015 has it on pace for 2016 to mark the 15th consecutive year with an increase.

Second, I think the company's increased amount of operating cash flow, including its 74.8% year-over-year increase to US\$52.1 million in its three-month period ended on December 31, 2015, and its low payout ratio, including 27.6% in the same period, could allow it to announce another dividend hike at some point in 2016.

3. Cogeco Communications Inc.

Cogeco Communications Inc. ([TSX:CCA](#)) is the 11th largest cable system operator in North America and the second-largest in Ontario and Quebec. It currently pays a quarterly dividend of \$0.39 per share, or \$1.56 per share annually, which gives its stock a yield of about 2.2% at today's levels.

Investors must also make two notes.

First, Cogeco has raised its annual dividend payment for 11 consecutive years, and its 11.4% hike in October 2015 has it on pace for 2016 to mark the 12th consecutive year with an increase.

Second, the company expects to generate \$310-340 million of free cash flow in fiscal 2016, an increase of 8.4-18.9% from the \$286 million it generated in fiscal 2015, and I think this very strong growth will allow it to announce another double-digit percentage dividend hike in the second half of the year.

Should you add one of these dividend growers to your portfolio?

Toromont Industries, Royal Gold, and Cogeco Cable are three of the most underrated dividend-growth stocks in the market. All Foolish investors should take a closer look at each and strongly consider initiating positions in one of them today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:RGLD (Royal Gold, Inc.)
2. TSX:CCA (COGECO CABLE INC)
3. TSX:TIH (Toromont Industries Ltd.)

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