2 High-Yielding Stocks That Just Raised Their Dividends

Description

Earnings season is here, and as a savvy dividend investor, I check the headlines and make a note of every stock that raises its dividend. I do this for two reasons. First, I like to stay as informed as possible about the companies I follow. Second, a dividend hike may introduce me to a company that I've never heard of or researched before, giving me the opportunity to learn about the company, dig deeper into its financials, review its dividend history, and, depending on the results of my research, maybe even become a shareholder.

With all this in mind, let's take a quick look at two stocks that raised their dividends this week, so you can stay informed and possibly become a shareholder of one of them.

1. Capital Power Corp.

Capital Power Corp. (TSX:CPX) is a growth-oriented North American power producer focused on developing, acquiring, and operating facilities that generate power from a variety of energy sources. It owns more than 3,200 megawatts of power generation capacity at 18 facilities across North America, and more than 700 megawatts of owned generation capacity is in advanced development in Alberta and Kansas.

In its second-quarter earnings report on July 25, it announced a 6.8% increase to its quarterly dividend to $0.39 per share, representing $1.56 per share on an annualized basis, and this brings its stock's yield to about 7.6% at today's levels. The first quarterly payment at this increased rate will come on October 31 to shareholders of record at the close of business on September 30.

Investors must also make the following two notes about Capital Power's dividend.

First, its two dividend hikes since the start of 2015, including its 7.4% hike in July 2015 and the one noted above, have it on pace for 2016 to mark the third consecutive year in which it has raised its annual dividend payment.

Second, it has a dividend-growth target of 10% annually through 2018, and I think its very strong financial performance, including its 20.8% year-over-year increase in adjusted fund from operations to $215 million in the first half of 2016, will allow it to achieve this target and extend it beyond 2018.

2. A&W Revenue Royalties Income Fund

A&W Revenue Royalties Income Fund (TSX:AW.UN) owns the trademarks used in the A&W quick-service restaurant business in Canada. It licenses these trademarks to A&W Food Services of Canada Inc. for use in operating and franchising restaurants in exchange for a royalty of 3% of sales at 838 restaurants.

On the day of its second-quarter earnings release, July 26, A&W announced a 2.3% increase to its monthly distribution to $0.133 per share, representing $1.596 per share on an annualized basis, and this brings its stock’s yield to about 4.6% at today’s levels. The first monthly payment at this increased rate will come on August 31 to shareholders of record at the close of business on August 15.

Investors must also make the following two notes about A&W’s distribution.

First, its three distribution hikes in the last 12 months, including its 3.4% hike in August 2015, its 4% hike in May of this year, and the one noted above, have it on pace for 2016 to mark the second consecutive year in which it has raised its annual distribution.

Second, it has a payout target at or below 100% of its distributable cash, so I think its consistent growth, including its 7.2% year-over-year increase to $0.697 per share in the first half of 2016, will allow its streak of annual distribution increases to continue for many years to come.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AW.UN (A&W Revenue Royalties Income Fund)
2. TSX:CPX (Capital Power Corporation)

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