

## North West Company Inc.: Dividend King of the North

### Description

Gone are the days of dividends for retirees only. In today's market, every investor seems to want it all. They want to get paid regularly, and they want the capital gains to boot. It's a great way to build a profitable portfolio for the long term, but it's not an easy thing to do. Enter the dividend king of the north: **North West Company Inc.** ([TSX:NWC](#)).

NWC operates general stores or grocery stores in remote areas in northern Canada and Alaska. In addition to the grocery stores, the company also owns approximately 35 Giant Tiger Stores with more to be opened in the next year.

As a mature company with a market cap of only \$1.2 billion, it's had a fantastic run in the past few years both in terms of dividend growth and price appreciation. In the past few months, however, it has finally cooled off and pulled back a little.

Having increased the dividend at a CAGR (compounded annual growth rate) of 10.5% from 2011 to 2016, the company has signaled at least a temporary slowdown in dividend growth. On pause for a year, the shares of NWC, which carry a beta of under 0.2, have fallen from \$33 per share to now almost \$25 per share, presenting what is potentially the best opportunity for the stock in the past few years.

The question is, why do we want to buy?

### The new dividend-growth catalyst

Earlier in the year, NWC announced its intention to acquire the majority of Roadtown Wholesale, a Virgin Islands-based grocery supplier, complementing NWC grocery operations in the Canadian north and Alaska quite nicely. Effectively, the company has made an acquisition right in the middle of its sweet spot.

In the hopes of seeing this acquisition be accretive in the long run, if NWC can do in the Virgin Islands what it has done domestically, we could see substantial pay raises in the form of additional dividends and capital gains to follow.

### The valuation

Currently yielding approximately 5%, this is one security to follow closely in the next few months. With consistent growth in revenues and earnings, it's clear the approach to this defensive dividend payer is to wait for the fat pitch and enjoy the compounded growth in earnings, dividends, and the stock price to follow!

### CATEGORY

1. Dividend Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:NWC (The North West Company Inc.)

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