

## Like Income? Then You'll Love These 3 Dividend-Growth Studs

### Description

Even though many people think rising interest rates will be a huge story in 2017, I still don't think the appetite for dividend-growth stocks will wane.

They're a perfect asset for retirees to own. Where else can investors get payouts of 3% ... 4% ... or even more? Sure, there's always the risk that an individual dividend can get cut, but as long as investors are properly diversified, the whole portfolio should continue to produce an ever-increasing dividend stream.

Even if rates do go up, the average dividend-growth investor doesn't have to sweat it. Their portfolio will still be well prepared to do what it's designed to do: deliver steadily improving dividends.

The only thing left for a potential investor to do is pick the stocks. Here are three great names to get you started.

### Inter Pipeline

A number of potential pipelines recently made the news here in Canada; Prime Minister Justin Trudeau approved two projects and denied a third.

It just goes to show how difficult the pipeline business can be. There are very few businesses that are met with protesting whenever they want to expand.

**Inter Pipeline Ltd.** (TSX:IPL) doesn't have that problem.

That's because the company has mostly stuck to Alberta—by far the friendliest pipeline jurisdiction in Canada. It has also expanded into Saskatchewan and acquired storage facilities in Europe. Additionally, it just paid \$1.35 billion to acquire existing natural gas assets—a 45% discount to the \$2.5 billion original cost of construction.

One of the biggest things to like about Inter Pipeline is its excess capacity. The company has three main oil sands pipelines with capacity to move about four million barrels of oil per day. Current volumes are just over two million barrels per day. Thus, when the oil sands start expanding again—and the region will; it's only a matter of time—Inter Pipeline is well positioned to benefit.

In the meantime, investors are getting a 5.8% dividend—a payout that has been hiked by an average of 7% a year over the last decade.

### Cineplex

Like Warren Buffett, I'm a big fan of companies that dominate their market. With more than an 80% market share in Canada, movie theatre company **Cineplex Inc.** ([TSX:CGX](#)) certainly fits the description.

The company has done a nice job turning its movie theatres into true entertainment destinations. They offer things like arcades, restaurants, and screens that show things other than the latest movies, especially during slower periods.

Cineplex isn't just in the movie business. It has leveraged its digital signage expertise into a new division—one that boasts customers like **McDonald's**, Tim Hortons, and **Wal-Mart**.

Cineplex has hiked its dividend each year since 2011. Shares currently pay a yield of 3.3%.

### **Intact Financial**

Speaking of market leaders, **Intact Financial Corp.** ([TSX:IFC](#)) is in the unique position of being the leader in the incredibly fragmented property and casualty insurance sector. Consolidation will happen, and Intact will likely be a major beneficiary.

That's not the only reason to be bullish. Intact is also a great underwriter. Insurance companies make money in two different ways. They invest premiums, earning investment income. They can also make money underwriting alone, as long as payouts stay below 100% of premiums collected.

Intact is doing just that, posting a combined ratio of 97.4% thus far in 2016. And remember, 2016 hasn't been a great year for the sector thanks to the Fort McMurray wildfires. To compare, Intact's peers posted a combined ratio of 104.2%.

Dividend growth has been simply remarkable. In 2005, Intact paid a quarterly dividend of \$0.16 per share. After its most recent dividend hike, the quarterly payment is \$0.58 per share. That's a yield of 2.5% combined with growth of more than 12% annually.

### **The bottom line**

Canadian investors are lucky. We have dozens of terrific dividend-growth stocks right here at home and access to hundreds more in the United States.

If you're starting a dividend-growth portfolio today or are just looking for some new ideas, it's going to be hard to do much better than Intact Financial, Cineplex, and Inter Pipeline. They're some of the best stocks Canada has to offer.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **TICKERS GLOBAL**

1. TSX:CGX (Cineplex Inc.)
2. TSX:IFC (Intact Financial Corporation)

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