These 2 Dividend-Growth Stars Raised Their Payouts Last Week

Description

One of the most successful investment strategies is to buy and hold stocks with track records of dividend growth. This is because a rising dividend is a sign of a very strong business with excellent cash flows and earnings to support increased payouts, and the dividends really add up over time when reinvested.

With this in mind, let's take a look at two stocks that raised their dividends by 6-10% last week and have active streaks of annual increases, so you can determine if you should invest in one or both of them today.

Algonquin Power & Utilities Corp.

Algonquin Power & Utilities Corp. (TSX:AQN)(NYSE:AQN), or APUC for short, is a North American renewable energy and regulated utility company. It acquires and operates green- and clean-energy assets and sustainable utility distribution businesses through its two subsidiaries: Algonquin Power Company and Liberty Utilities.

On January 16, APUC announced a 10% increase to its quarterly dividend to US$0.1165 per share, representing US$0.4659 per share on an annualized basis, and this gives its shares listed on the NYSE a yield of about 5.5% today. The first payment at this increased rate will come on April 14 to shareholders of record at the close of business on March 31.

APUC also noted that shareholders can elect to receive the dividend in the amount of $0.1533 per share "by contacting the financial intermediary with whom the common shares are held." At this rate, its shares listed on the TSX yield about 5.4% today.

This hike did not come as a shock to APUC's shareholders, because it has a reputation for dividend growth. Last year marked the sixth consecutive year in which it had raised its annual dividend payment, and the 10% hike it just announced has it positioned for 2017 to mark the seventh consecutive year with an increase.

APUC's dividend growth will continue going forward as well. It has a long-term dividend-growth target of 10% annually, and I think its very strong financial performance, including its 11.8% year-over-year increase in adjusted funds from operations to $0.95 per share in the first nine months of 2016, and its acquisition of Empire District Electric Co., which closed on January 1 and will immediately be accretive to its cash flows, will allow it to achieve this target through 2025 at the very least.

Richelieu Hardware Ltd.

Richelieu Hardware Ltd. (TSX:RCH) is one of North America's largest importers, manufacturers, and distributors of specialty hardware and complementary products with operations across Canada and the United States.

In its fourth-quarter earnings release on January 19, Richelieu announced a 6.4% increase to its quarterly dividend to $0.0567 per share, representing $0.2268 per share on an annualized basis, and this brings its yield up to about 0.9% today. The first payment at this increased rate will come on February 16 to shareholders of record at the close of business on February 2.

Like Algonquin Power & Utilities Corp., Richelieu has a reputation for dividend growth, and its active streak is slightly more impressive. Last year marked the seventh consecutive year in which it had raised its annual dividend payment, and the hike it just announced has it on pace for 2017 to mark the eighth consecutive year with an increase.

I think Richelieu's dividend growth will continue beyond 2017 as well. I think its very strong financial performance, including its 7.7% year-over-year increase in operating cash flow before changes in non-cash working capital to $1.25 per diluted share in fiscal 2016, and its four strategic acquisitions in 2016, which will help drive future growth, will allow its streak of annual dividend increases to continue for the foreseeable future.

Is one a better long-term buy than the other?

I think both Algonquin Power & Utilities Corp. and Richelieu Hardware represent great long-term investment opportunities today, but if I had to choose just one for my portfolio, I'd go with Algonquin, because it has a much higher yield and an established long-term dividend-growth target.

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