

These S&P/TSX 60 Constituents Just Gave Their Shareholders a Raise

Description

Two of Canada's largest public corporations — **Magna International Inc.** ([TSX:MG](#))([NYSE:MGA](#)) and **Royal Bank of Canada** ([TSX:RY](#))([NYSE:RY](#)) — just made very shareholder-friendly moves and raised their dividends. Let's take a closer look at each, so you can decide if you should add one or both of them to your portfolio today.

Magna International Inc.

Magna is one of the world's largest automotive suppliers with 317 manufacturing operations and 102 product development, engineering, and sales centres in 29 countries. It has expertise in complete vehicle engineering and contract manufacturing, as well as product capabilities that include body, exterior, seating, and roof systems.

In its fourth-quarter earnings release on February 24, Magna announced a 10% increase to its quarterly dividend to US\$0.275 per share, representing US\$1.10 per share on an annualized basis, which brings its yield up to about 2.6% today. The first payment at this increased rate is payable on March 24 to shareholders of record on March 10.

Magna does not have a very high yield, so it's important to make the following two notes.

First, this hike has it on pace for 2017 to mark the eighth consecutive year in which it has raised its annual dividend payment.

Second, I think Magna's very strong financial performance, including its 9.3% year-over-year increase in net earnings from continuing operations to \$5.16 per share and its 45.2% year-over-year increase in operating cash flow to \$3.39 billion in 2016, will allow its streak of annual dividend increases to continue through 2020 at the very least.

Royal Bank of Canada

RBC is Canada's largest bank and one of the world's 20 largest banks based on market capitalization. It provides a broad range of financial products and services, including personal and commercial banking, wealth management, insurance, investor services, and capital markets, to more than 16 million personal, business, public sector, and institutional clients in Canada, the United States, and 35 other countries.

In its first-quarter earnings release on February 24, RBC announced a 4.8% increase to its quarterly dividend to \$0.87 per share, representing \$3.48 per share on an annualized basis, and this brings its yield up to about 3.6% at today's levels. The first quarterly installment at this increased rate is payable on and after May 24 to shareholders of record at the close of business on April 25.

It's also important to make the following two notes about RBC's dividend.

First, it has raised its annual dividend payment each of the last six years, and its recent hikes, including its 2.5% hike in August and the one noted above, have it positioned for 2017 to mark the seventh consecutive year with an increase.

Second, RBC has a target dividend-payout range of 40-50% of its net income available to common shareholders, so I think its very strong growth, including its 24.3% year-over-year increase to \$2.94 billion in the first quarter of fiscal 2017, will allow its streak of annual dividend increases to continue for decades.

Is one a better buy today?

I think Magna and RBC both represent very attractive investment opportunities, but if I had to choose just one to invest in today, I'd go with RBC, because it has a much higher yield and stronger dividend-growth prospects going forward.

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