



Income Investors: Stay Away From These 3 Dividend-Growth Favourites

Description

Many dividend investors are looking for one thing and one thing only: they want to invest in stocks with a history of raising the dividend on an annual basis. The longer the streak, the better.

It's been a fine strategy over the years, leading to outsized returns. Sure, there have been some duds in there, but the average dividend-growth investor has their money invested in some of the world's finest companies.

There's just one problem: an investor can't just look backwards; they must also look forward. After a little analysis, it becomes obvious that certain dividend-growth favourites over the years are virtually tapped out. They just don't have enough internal growth to continue giving shareholders anything but token raises.

Here are three former dividend-growth darlings that are poised to deliver lacklustre — if any — dividend growth over the next few years.

Shaw Communications

Shaw Communications Inc. ([TSX:SJR.B](#))([NYSE:SJR](#)) is really feeling the impact of cord cutters. The western Canadian telecom lost nearly 30,000 cable and satellite TV subscribers in its most recent quarter alone as well as 5,685 phone subscribers. Internet was the only bright spot; Shaw gained nearly 12,000 internet subscribers in the quarter.

Shaw recently acquired Wind Mobile and rebranded it as Freedom Mobile. It then sold its media business to help pay for the transaction. The big problem was, although wireless is growing at a faster pace, it has far lower operating margins than the rest of the company's operations.

Analysts predict Shaw will earn \$1.35 per share in fiscal 2017, following that up with \$1.40 per share in fiscal 2018. Its current annual dividend is \$1.185 per share, giving it a payout ratio of nearly 90%. Shaw also plans to do some expensive wireless network upgrades in the next couple of years, which makes it likely that investors won't see another dividend increase until 2019 at the earliest.

IGM Financial

Although **IGM Financial Inc.** ([TSX:IGM](#)) is trying, it's tough to be in a business everyone considers to be dying.

IGM has been a dominant player in wealth management for decades now, using its army of Investors Group agents to sell high-priced mutual funds to Canadian savers. With ETFs on the rise and greater fee disclosure for mutual funds becoming mandatory, the threat surrounding high-fee funds is very real.

The company, to its credit, isn't taking this lying down. It recently announced a big investment in China AMC, that nation's largest wealth manager. It is also cutting fees on many of its funds in an attempt to stay competitive.

If earnings continue to fall, the 5.5% dividend will be in danger. At any rate, I don't see the company hiking the dividend, that's for sure.

Boardwalk

Boardwalk REIT ([TSX:BEI.UN](#)) is one of Canada's largest apartment owners, boasting a portfolio of more than 33,000 multi-family homes. Approximately 60% of units are located in Alberta.

Boardwalk shares are currently trading close to a multi-year low because of reduced expectations and because 2016 results were weaker than expected. Original 2017 guidance was for the company to post adjusted funds from operations of \$2.36-2.56 per share. Now expectations are for adjusted funds from operations to be between \$1.96 and \$2.31 per unit.

Boardwalk currently pays an annual dividend of \$2.25 per share, meaning the company could easily surpass a 100% payout ratio. I wouldn't worry about a dividend cut; Boardwalk's balance sheet is strong enough it can easily borrow a little to pay shareholders. But it's unlikely the company would raise the dividend in such an environment. Shares currently yield slightly over 5%.

The bottom line

Dividend-growth investors looking to get a raise in 2017 should look elsewhere. There are dozens of stocks in Canada that pay attractive yields with the potential for dividend growth. Shaw Communications, IGM Financial, and Boardwalk REIT are not among them.

CATEGORY

1. Dividend Stocks
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2. TSX:BEI.UN (Boardwalk Real Estate Investment Trust)
3. TSX:IGM (IGM Financial Inc.)
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