



2 Overlooked Dividend-Growth Stocks to Consider in May

Description

Investing in dividend-growth stocks is one of the most powerful and time-proven strategies to build wealth. This means investors should favour stocks with modest yields that have the ability to grow their dividends over time over ones with high yields that have little to no growth potential. With all of this in mind, let's take a closer look at two quality dividend-growth stocks that you could buy today.

Equitable Group Inc.

Equitable Group Inc. ([TSX:EQB](#)) is a financial services business that operates through its wholly owned subsidiary Equitable Bank. Equitable Bank is the country's ninth-largest independent Schedule I bank with approximately \$22.96 billion of assets under management as of March 31.

Equitable Group currently pays a quarterly dividend of \$0.23 per share, equal to \$0.92 per share on an annualized basis, which gives it a yield of about 2% today.

A 2% yield is far from high, but Equitable Group more than makes up for it in terms of dividend growth. It has raised its annual dividend payment for six consecutive years, and its recent hikes, including its 4.5% increase in February, have it on pace for 2017 to mark the seventh consecutive year with an increase.

I think Equitable Group can continue to deliver dividend growth going forward as well. I think its very strong growth of earnings available to common shareholders, including its 10.3% year-over-year increase to a record \$133.57 million in 2016 and its 57.3% year-over-year increase to a record \$42.2 million in the first quarter of 2017, and its strong growth of assets under management that will help drive future earnings growth, including its 23.3% year-over-year increase to \$22.96 billion in the first quarter of 2017, will allow its streak of annual dividend increases to continue for another seven years at least.

Toromont Industries Inc.

Toromont Industries Inc. ([TSX:TIH](#)) operates through two business segments: the Equipment Group and CIMCO. The Equipment Group is one of the largest Caterpillar dealers in Ontario, Manitoba,

Newfoundland, and select regions of Labrador and Nunavut, and it has industry-leading rental operations. CIMCO is a market leader in the design, engineering, fabrication, and installation of industrial and recreational refrigeration systems in Canada and the U.S.

Toromont currently pays a quarterly dividend of \$0.19 per share, equal to \$0.76 per share on an annualized basis, and this gives it a yield of approximately 1.55% today.

Like Equitable Group, Toromont makes up for its low yield with its impressive history of dividend growth. It has raised its annual dividend payment for 27 consecutive years, the third-longest active streak for a public corporation in Canada, and its 5.6% hike in February has it positioned for 2017 to mark the 28th consecutive year with an increase.

I think Toromont will continue to be one of the market's top dividend growers in 2018 and beyond too. It has a target dividend-payout range of 30-40% of its earnings, so I think its strong growth, including 6.9% year-over-year increase to \$155.75 million (\$1.99 per share) in 2016 and its 11.8% year-over-year increase to \$27.02 million (\$0.34 per share) in the first quarter of 2017, will allow its streak of annual dividend increases to easily continue into the 2020's.

Which of these dividend-growth stocks should you buy today?

I think Equitable Group and Toromont Industries represent attractive long-term investment options for dividend-growth investors, so take a closer look at each and consider adding one or both of them to your portfolio today.

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1. Dividend Stocks
2. Investing

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1. TSX:TIH (Toromont Industries Ltd.)

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