



## This Company's Dividend Just Increased by 19.6% and Almost Nobody Noticed

### Description

**Lassonde Industries Inc.** ([TSX:LAS.A](#)) reported earnings this past Friday and announced an increase in the dividend from \$0.51 per share to \$0.61 per share. While this represents a massive increase for shareholders, investors currently considering the security need to look at much more than just the dividend.

The stock currently trades at a price near \$236, and the forward dividend yield, assuming no increases for the next year, is close to 1%. While the most recent dividend increase is substantial at close to 20%, there is potentially something more important that is changing gradually for shareholders of Lassonde Industries.

Over the past four fiscal years, the company has started to experience a normalization in earnings growth. In 2013, revenues were \$1,040 million which increased to \$1,509 million in fiscal 2016 translating to a compounded annual growth rate (CAGR) of 13.2%. Going down the income statement, the fantastic news for investors starts with the gross margin as a percentage of revenues having increased over time. In 2013, the gross margin (calculated as gross profit divided by revenues) was 27.4% which increased to 29% in fiscal 2016. Clearly, management has been successful at either raising prices or decreasing the cost of goods sold. While this may not seem like much to most investors, increasing the gross margin is actually one of the most difficult things to do for any business.

Going further down the income statement, the net profits totaled \$44.94 million for 2013, which increased to \$68.15 million in 2016. The CAGR was nothing short of 14.9%!

Taking a step back, investors should be thrilled by the company's execution. While revenues rose at a rate of 13.2%, net profit increased at a rate of 14.9%. The company is either achieving economies of scale or cutting expenses somewhere. Either way, investors have reaped the benefits. Looking at the profit margin (net income divided by revenues), the company has done an excellent job in retaining more of the revenues that come through the front door. The profit margins were: 4.3% (2013), 3.8% (2014), 3.9% (2015), and 4.5% (2016).

Of the net profits that hit the bottom line, investors have to ask themselves if the dividends paid are

substantial enough. For 2013, the dividends paid were \$1.48 out of earnings per share (EPS) of \$6.44, which translates to a payout ratio of 23%. In fiscal 2014, the dividend rose to \$1.59 and accounted for 24.5% of net profits. In 2015, the dividend grew to \$1.63 but accounted for only 20% of profits. In fiscal 2016, the dividend increased again to \$1.94 and still accounted for less than 20% of earnings. Clearly, the company has retained profits that could serve to either expand the business or begin a share-buyback program.

## **Q1 2017**

For the most recent quarter of the current fiscal year, the company reported earnings of \$1.87 per share and increased the dividend to \$0.61 per share. The payout ratio for the quarter is 32.6%, while the net income is close to 3.5% of revenues. Investors looking for a new consistent investment may just have found it. Continue to watch Lassonde Industries to find the right entry point.

Happy investing!

## **CATEGORY**

1. Dividend Stocks
2. Investing

## **TICKERS GLOBAL**

1. TSX:LAS.A (Lassonde Industries Inc.)

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