Can Hate Turn to Love for These Battered Dividend Stars?

Description

Investors generally prefer to see the stock prices of their holdings to go up, even though they know that stocks are inherently volatile and that they should brace for the roller-coaster ride.

Here are two dividend-growth stars that have underperformed in the last two years or so but have maintained a dividend-growth streak of at least 11 years.

Can they make a comeback and make shareholders love them again? Can they continue to grow their dividends? Let's find out!

Empire Company Limited (TSX:EMP.A) shares have returned about -33% in about two years — not without good reason. Its Albertan business has been a drag on the shares.

The food retailer, which operates under the banners Sobeys, Safeway, IGA, Foodland, FreshCo, Thrifty Foods, and Lawton's Drug Stores, has experienced double-digit declines in its earnings per share (EPS) in the last two fiscal years, equating to an EPS decline of almost 65% since fiscal 2015.

The shares have bounced roughly 26% from the low of about $15 to $19 per share in anticipation of a turnaround led by Michael Medline, who was a former **Canadian Tire** CEO and became Empire's new CEO in January. However, the recovery still has a long way to go before reaching its high of about $30, which it hit in 2015.

It'll probably take a few years for Empire to get there. In early May, the company came out with a major restructuring plan with the goal of realizing savings of $500 million per year by the end of fiscal 2020.

The shares have pulled back nearly 7% since the announcement and may be a good entry point for the turnaround investment.

Despite the huge drop in earnings and an expanded payout ratio, Empire's dividend remains sustainable with a payout ratio of about 50% this year compared to a payout ratio of about 20% before the earnings fallout.

Exco Technologies Limited's (TSX:XTC) business has been cyclical in the past. However, since fiscal 2010, its EPS have been on a long-term growth trend.

Exco Technologies is often categorized under the auto parts industry alongside **Magna** and **Linamar**. So, the company shares have been pressured with worries about an industry which has peaked.

Exco Technologies shares have returned about -24% in about two years. The company also services the die-cast and extrusion industry, which contributed 30% of its sales in the first half of fiscal 2017.

Exco Technologies's yield of nearly 3% is safe as its payout ratio is expected to be about 25% this year. The stock has increased its dividend for 11 consecutive years at a double-digit rate. Its three-year dividend-growth rate is 15.9%.

Investor takeaway

Both Empire and Exco Technologies offer safe dividends and have the capacity to continue growing them in the future. Empire is a turnaround play, while Exco Technologies is a value play.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:EMP.A (Empire Company Limited)
2. TSX:XTC (Exco Technologies Limited)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/08/18
Date Created
2017/06/20
Author
kayng