2 Stocks Set to Increase Their Dividends This Year

Description

Waste Connections Inc. (TSX:WCN)(NYSE:WCN) shares rallied 2% last week as the company reported another impressive quarter that came in ahead of expectations. The company continued to perform well in the execution of its strategy, with continued volume increases, better pricing, and cost discipline driving returns higher.

Second-quarter revenue increased 61%, with a corresponding 114% increase in cash from operations. Also, and very key, is that fact that free cash flow increased to $349 million for a free cash flow yield of over 15%.

The company has increased expectations for 2017, with net cash from operating activities in 2017 expected to be $750 million, or 16.4% of revenue, up from prior expectations of $725 million — all this with the backdrop of a very strong balance sheet that currently boasts almost $400 million in cash.

Management has some decisions to make with regard to uses of cash. They have outlined that the priorities for this cash are acquisitions to further consolidate its fragmented market, with at least 12 that are in the works, and dividends.

Management stated on the second-quarter conference call that we should expect a double-digit percentage increase in the company's regular cash dividend in October.

The dividend yield is currently below 1%.

Labrador Iron Ore Royalty Corporation (TSX:LIF)

The company's dividend yield currently stands at 5.87%. And this is just the yield on its regular dividend, as it does not consider any special dividends that are paid out, which would become more frequent should the price of iron ore continue to strengthen.

In fact, the company paid out a special dividend of $0.35 per share in June, and if we include this in our dividend yield calculation, we get a dividend yield of 7.9%.

Here’s why I think we can expect more special dividend payments from Labrador Iron Ore Royalty.

First, economic growth in China is showing clear strength. China’s second-quarter GDP growth came in at 6.9% (compared to the second quarter of 2016), which was above expectations and bullish for commodities like iron ore.

Second, production at the Iron Ore Company of Canada (IOC) has been exceeding expectations, and costs have been coming down nicely, with the company’s all-in sustaining costs currently at US$36.41 per tonne — all this at an operation that produces high-quality iron ore that commands a premium in the marketplace.

Third, Labrador Iron Ore Royalty collects royalties from IOC, so the risk inherent in this royalty model is diminished while the upside to rising iron ore prices is still strong.

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1. Dividend Stocks
2. Investing
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