



These Dividends Have Increased Almost 200% in Only 5 Years

Description

A strong dividend stock can make investing less risky and generate regular income for your portfolio. However, just looking at dividend yield will not give you a complete picture of the quality of the dividend. A good dividend stock should have a reasonable yield that does not have a high payout ratio and offers the potential for growth.

The two companies here have seen tremendous dividend growth in the past few years and have the ability to continue to do so.

Maple Leaf Foods Inc. ([TSX:MFI](#)) has a long history of paying dividends, going back to 1999. Up until 2014, the company's dividend was consistently at \$0.04 a share and was paid out quarterly. However, since then the company has increased the dividend multiple times, and it now pays \$0.11 per share for a whopping increase of 175% in just three years.

The current dividend offers nothing exciting at just 1.28% of your investment, but if the company continues to grow it, then it certainly could offer some more upside. Dividends paid out currently make up 42% of net income, or about 57% of free cash flow. With such a low payout ratio and growing free cash flow, there is definitely room for the company to continue to increase its dividend.

The company's stock price started to take off shortly before the dividend hike and may have helped justify the increase. Since the start of 2014, the stock has doubled in price. Although the company has seen its revenues increase for two consecutive years, the rate of increase has only been 1% in 2016 and 4% the year prior. Before its most recent quarter, Maple Leaf Foods saw three consecutive quarters of revenue decline. The company has not seen the explosive growth you would expect of a stock that has increased so much in value.

Currently, the stock is trading over 26 times its earnings and 2.2 times its book value. The current price appears to be a bit expensive when considering a comparable like **Saputo Inc.**, which trades at only 23 times its earnings. There might be some downside in Maple Leaf stock, so it may be worthwhile to stay in the sidelines and wait for a correction. If the price of Maple Leaf drops, and the dividend stays intact, then the overall dividend yield will increase.

CCL Industries Inc. ([TSX:CCL.B](#)) is another stock that has seen strong dividend growth in the past few years. In 2014, the company paid quarterly dividends of \$0.05 a share. The dividend is up to \$0.115 today for an increase of 130%. However, unlike Maple Leaf, CCL has been increasing its dividend for many years. Going back to 2012, when the dividend was \$0.039 a share, the total increase is almost 200% since then for a compounded annual growth rate of over 24%. If the company can maintain that kind of growth in its dividends, it would take a little more than three years for the current dividend to double.

CCL still has lots of opportunity to grow its dividend with the company averaging payouts of less than 22% of free cash flow. The company has also seen free cash flow continue to grow over the years, increasing the possibility of continued dividend growth.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:CCL.B (CCL Industries)
2. TSX:MFI (Maple Leaf Foods Inc.)

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Date

2025/09/02

Date Created

2017/08/02

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