



North West Company Inc.: Should You Buy This High-Dividend-Yield Stock?

Description

Are you looking for a stock that pays a nice dividend and shows a commitment to continued dividend payments? Let's take a look at one you might want to consider.

North West Company Inc. ([TSX:NWC](#)), with a storied history as a fur-trading company dating back to 1668, has certainly proved its staying power. North West bills itself as a provider of goods and services for hard-to-reach, underserved, and less-developed markets. It provides service to northern and western Canada, rural Alaska, the Caribbean, and the South Pacific Islands, with its biggest product offering being food. The costs of servicing these communities can be high, but North West benefits from a lack of competition in these areas. To help it reach its far-flung customer base, North West recently purchased its own airline, Thunder Bay-based North Star Air.

North West by the numbers

How is North West faring in 2017? Its net income fell by 53.15% year over year last quarter to \$0.17 per share, but the company managed a profit margin of 3.63%. That number may seem low, but grocery profit margins are usually thin. North West is among the more effective companies in its industry at creating profit.

North West's return on equity is a nice 18.88%. (In general, analysts say returns in the 15-20% range represent good investment quality.) Again, this number looks good when compared against North West's industry competitors.

The 52-week low for North West is \$24.08, while the 52-week high is \$33.74, so the stock price is currently much closer to the high end of its scale. Analysts expect North West to trade around this high over the next year, so this isn't a stock expecting much growth over the near term.

A dividend over 4%

Where North West shines is in its dividend offering. The dividend currently sits at \$0.32 on a quarterly basis for an annual dividend of \$1.28 per share. That's a healthy dividend yield of 4.2%.

North West has also shown a commitment to stable dividends over the years. The dividend was \$0.29 quarterly per share at the end of 2014; it was moved up to \$0.31 in 2015 and 2016 and moved up again to its current dividend of \$0.32 in 2017. The yield has not dipped under 4% in the past five years.

Investor takeaway

Should you buy North West? That depends. If you are looking for growth, this is not really the stock for you. However, if you want a stable company, and you are looking for income, North West Company is a good stock to buy or hold. It has a long, stable history and little competition in many of its markets, meaning it will likely be around for many more years to come.

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