The Top Dividend-Growth Stocks

Description

Given the incredible run in share prices over the past five years, and now the recent slowdown of the past year, investors may need to seek out new investment names with the potential for higher dividend increases as time moves forward and as the market turns more bearish than bullish.

Although very little can prevent a market selloff, investors can still count on a rising tide to raise all boats. In the case of dividend increases, the companies and investors receiving higher income throughout good and bad times will, without a doubt, make it through the next dark period in better shape than most. When looking back to how most retail investors came out of the Great Recession of 2008/2009, it is difficult to think otherwise.

Currently, investors in **Saputo Inc.** (TSX:SAP) are receiving 32% of earnings in the form of dividends. Dividends have increased at a rate of 9.2%, assuming that the company meets expectations and pays the expected quarterly amount of $0.16 per share, per quarter into the next fiscal year. The catalyst for new investors entering this name is going to be the next dividend increase. The company has seen retained earnings and shareholders' equity increase substantially over the past four fiscal years, as the company has only increased the dividend by a small amount in addition to starting a relatively immaterial share buyback.

Saputo boasts a market capitalization of no less than $16 billion, yet it has repurchased less than $350 million in stock over the past fiscal year. With growth starting to slow to a more normalized level, the company will have significantly more cash available to return to shareholders, as the capital expenditures have now started to slow down along with the higher levels of growth.

Shares of **Alimentation Couche Tard Inc.** (TSX:ATD.B), which is Canada's largest convenience store operator, have increased the dividend at a rate of 30% over the past three years, as the company has started to reach a more mature status. At a current price of almost $60 per share, investors are only receiving a relatively small dividend yield of 0.6%, while the dividend-payout ratio is no more than 12.7%. The good news for those holding shares is there is potential for the company to take the available free cash flows and deploy them in either a share buyback or by increasing the dividend payment. With a company that operates in the convenience store market, one of the biggest uses of capital will be in the inventory that is held for sale to customers in each location.

With different options available to investors seeking either growing dividends or a place to hide as the market turns bearish, investors need not look any further than some of Canada's daily used brands.

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