TFSA Investors: This Dividend-Growth King Just Hiked its Dividend by 38%

Description

Dividend-growth investing is a wonderful strategy for young people today who are decades away from their expected retirements. What makes dividend-growth investing so great? As a younger investor, you may not need the income from dividend payments now, but you will at some time down the road, so while you wait, the dividend will keep growing, and the yield based on your original principle will keep increasing as years of dividend hikes add up.

It's like planting a seed that will eventually grow into a fruit-bearing tree. In the first few years, you won't benefit from fruit, but later you'll thank yourself for planting the tree a decade ago. With dividend-growth investing, not only do you get to watch your dividend grow over time, but you also get to reap the rewards of capital appreciation, since dividend-growth kings typically offer fantastic capital gains to go with outstanding dividend hikes.

How? Real dividend-growth kings typically have wonderful businesses with durable competitive advantages and strong growth profiles. That translates to a huge amount of cash given back to shareholders gradually over the long haul (either in the form of an upped dividend or through share buybacks).

Where's the best place to plant your dividend-growth stocks? Your TFSA is a great place, especially since you're essentially betting on a low-risk, high-return type of security that will grow tax free!

One such dividend-growth king that you should consider today is **Canadian Tire Corporation Limited** (TSX:CTC.A), a retailer that's head and shoulders above the competition thanks to its strong management team, wide presence in Canada, and a portfolio of brands that have been trusted by Canadians for many years.

While the general public is still afraid of the entire retail segment, Canadian Tire continues to move in an upward trajectory, albeit in a rockier fashion. I believe the fears over the retail sector have created a huge buying opportunity for investors who want a piece of a Canadian icon that's also a dividend-growth king.

The company recently reported fantastic Q3 2017 numbers, which saw revenue increase to $3.3

billion, up from $3.13 billion on a year-over-year basis. The quarterly dividend was hiked by a whopping 38% to $0.90 per share, up from the original $0.65 per share. That was the cherry on top, which caused shares to surge over 3% in a single trading session. Given the terrific results, I thought shares should have jumped by at least 6% for the day.

In addition, management set a 10% annual profit growth target for the next three years. That's really something to get excited about! I believe the strong results, dividend hike, and an ambitious new target will cause shares of Canadian Tire to sustain a rally to much higher levels from here.

Bottom line

Canadian Tire is an exceptional dividend-growth stock that I don't think gets the credit it deserves. Sure, it's in the retail industry, but that doesn't mean it's going to fall at the hands of digital disruptors. In fact, Canadian Tire has a strong moat and a management team that knows how to adapt, so digital retailers are going to have a difficult time penetrating the company's wide moat.

The third quarter was excellent, and if the company can meet or exceed its three-year target (I think it can), then expect more generous double-digit percentage dividend hikes like this one on an annual basis.

Long-term investors should do themselves a favour by adding a position to their TFSAs today.

Stay smart. Stay hungry. Stay Foolish.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:CTC.A (Canadian Tire Corporation, Limited)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Investing

Date
2025/09/10
Date Created
2017/11/16
Author
joefrenette