Top High-Growth Dividend Stocks for 2018 and Beyond

Description

Long-term investors looking for price appreciation and high dividend growth should consider these reasonably valued names today.

Restaurant Brands International Inc. (TSX:QSR)(NYSE:QSR) is a global quick-service restaurant company with more than $29 billion in system sales. It has more than 23,000 locations in over 100 countries. Its brands include Burger King, Tim Hortons, and Popeyes Louisiana Kitchen, which have been in operation for more than four decades.

Burger King is the second-largest fast-food hamburger chain in the world, and it serves over 11 million guests every day. Tim Hortons is the biggest quick-service restaurant chain in Canada. There are more Tim Hortons locations in Canada than there are **McDonald's** and **Starbucks**. Popeyes is one of the largest global quick-service chicken restaurant concepts with more than 2,600 locations in the U.S. and around the globe.

The Street consensus believes Restaurant Brands will grow its earnings per share by at least 17% per year for the next three to five years. If so, then the stock is actually reasonably valued today, despite trading at a price-to-earnings multiple of nearly 31 at ~$78.60 per share.

Although Restaurant Brands only offers a small yield of ~1.4%, its quarterly dividend per share is ~23.5% higher than it was a year ago. With a payout ratio of ~42% and earnings growth, the stock should be able to grow its dividend at a double-digit rate.

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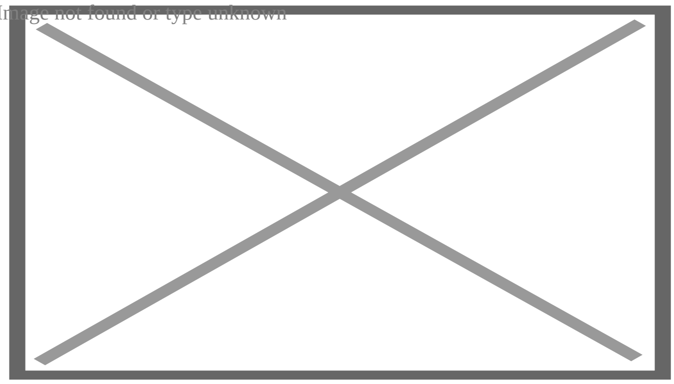

Open Text Corp. (TSX:OTEX)(NASDAQ:OTEX) has been expanding its Enterprise Information Management offerings. It has an addressable market of about US$35 billion. In fiscal 2017, it achieved revenue of US$2.29 billion.

One key way that Open Text has been growing is via acquisitions. So far, it has closed 57 acquisitions. In the last fiscal year alone, Open Text integrated five acquisitions: ANX, HP CEM, Recommind, HP CCM, and the enterprise content division of Dell-EMC (ECD) and increased its annual recurring revenue by 25% such that it contributed to ~73% of its total revenue.

For the next while, the company will likely focus on improving the operating margins of its acquisitions, which should eventually result in earnings growth on a per-share basis.

Some analysts believe Open Text will grow its earnings per share by ~18% per year for the next three to five years. The stock is a great buy today given that it has been consolidating for the last year or so and now trades at a decent price-to-earnings multiple of under 15 at ~$42 per share.

Although Open Text only offers a small yield of ~1.6%, its quarterly dividend per share is ~14.8% higher than it was a year ago. With a payout ratio of ~20% and earnings growth, the stock should be able to grow its dividend at a double-digit rate.

Investor takeaway

Long-term investors looking for above-average growth should consider Restaurant Brands and Open Text today, and especially so on any further dips. Patient investors should not only be rewarded with double-digit-rate dividend growth but also strong price appreciation.

CATEGORY

1. Dividend Stocks
2. Investing

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2. NYSE:QSR (Restaurant Brands International Inc.)
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