3 Reasons Dividend Investors Will Love This Small Cap

Description

The New York Times recently declared that Canadian whisky is making a comeback.

That's great news for **Corby Spirit and Wine Ltd.** (TSX:CSW.A), a small-cap stock responsible for 21% of the spirits sold in this country, much of it whisky.

"Sales of Canadian whisky in America were up a healthy 7% between 2011 and 2016, with a 112% leap in the high-end premium category, according to the Distilled Spirits Council of the United States," wrote *New York Times* reporter Clay Risen January 11. "In Canada, domestic consumption was up 4% for the same period, with a 28% jump at the high end, according to Spirits Canada/Association of Canadian Distillers."

Right out of the gate, investors already have the first reason for owning Corby stock: its history is tied to J.P. Wiser's Canadian whisky. Approximately 80% of Corby's annual revenue is from company-owned brands such as Wiser's, which accounted for 39% of the volume.

The remaining 20% is earned from sales commissions from brands distributed by the company such as Absolut Vodka, Havana Club rum, and Jameson Irish whiskey.

In fiscal 2017, Corby's company-owned brands saw case volumes grow by 3%. That might not seem like a lot, but in a mature spirits industry, it's actually pretty good.

Strong ownership

Corby's ultimate parent is **Pernod Ricard**, the French liquor giant, which owns 44% of the equity and 51.6% of the votes. The arrangement gives Corby a bigger portfolio of brands to sell to the various provincial liquor commissions while also providing the financial stability that it wouldn't have operating on its own.

For example, in fiscal 2017 (period ended August 31, 2017), Pernod Ricard had global revenue of €9 billion with 38% of that generated from emerging markets like China and Africa. In terms of profits, it earned €1.4 billion in 2017, about 75 times the profits earned by Corby in its latest fiscal year.

On January 23, Corby's J.P. Wiser's 35 Year Old product won Canadian Whisky of the Year.

With the backing of a strong parent, look for Corby to continue to benefit from a resurgence in Canadian whisky.

The biggest reason to own

Corby's stock didn't have a great year in 2017 compared to **Andrew Peller Ltd. Class A** (TSX:ADW.A), its peer on the TSX. While Peller's stock gained 33% in 2017, Corby's total return was just a little more than 7%. Over the past five years, Peller outperformed Corby by almost 400% annually.

You're definitely not going to get the two businesses confused.

Peller is consolidating the wine industry in Canada, while Corby is sticking with a few legacy brands to grow its business. It's like someone bringing a knife to a gun fight. There's just no comparison.

However, Corby's consistent revenue and profit generation combined with the financial backing of Pernod Ricard ensures that your 4% dividend always gets paid.

Income investors ought to consider this small cap because, in my opinion, it's one of the safest dividends on the TSX.

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