3 Canadian Dividend Aristocrats With High Dividend-Growth Rates

Description

A popular debate among dividend-growth investors revolves around the preference of high yield versus high dividend growth. Studies have shown that in the short term, high yield often wins out. However, over the long term an investment with a higher dividend-growth rate will eventually catch up and surpass the investment income provided by a stock with a higher starting yield. If you are near retirement, then stockpiling companies that offer a higher starting yield may be the better investment strategy. If you are just starting out or have a long-term view, consider adding these three Canadian dividend aristocrats that offer high dividend-growth rates.

First up is **Enghouse Systems Limited** (TSX:ENGH), an enterprise software solutions developer. The company's technologies include contact centre, attendant console, voice response, dialers, agent performance optimization and analytics that support telephony environment, deployed on premise or in the cloud. Its asset management group provides a range of products to telecom service providers, utilities, and the oil and gas industry.

Enghouse has a decent 11-year dividend-growth streak and a low starting yield of 1.05%. It last raised dividends by 12.5% on March 8, 2018. Its five-year dividend-growth rate is 20.4%, which means investors would have more than doubled their dividend income over the same time frame. Its payout ratio as a percentage of earnings is in the low 30s, which all but guarantees continued double-digit dividend growth over the next few years.

Gildan Activewear Inc. (TSX:GIL)(NYSE:GIL) is a manufacturer and marketer of branded basic family apparel, including t-shirts, fleece, sport shirts, underwear, socks, hosiery, and shapewear. In 2018, the stock has lost approximately 10% of its value, and as a result, its dividend yield has risen to an all-time high of 1.55%.

Gildan is a relatively new dividend-growth company with a modest seven-year dividend-growth streak. It has also been a model of consistency with five-year and three-year dividend-growth rates of approximately 19%. The company's most recent dividend raise came on February 22, 2018, when it raised dividends by another 19.79%. Based on its historical averages, an investor could double their dividend income in approximately four years. Is this dividend-growth pace sustainable? Judging by its low payout ratio of 21.6%, it certainly seems that way.

Last on the list is one of Canada's newest dividend aristocrats, **Open Text Corp.** (TSX:OTEX)(NASDAQ:OTEX). Open Text provides a platform and suite of software products and services that assist organizations in finding, utilizing, and sharing business information from any device. The company designs, develops, markets and sells enterprise information management software and solutions.

Open Text achieved dividend aristocrat status in 2018, having raised dividends for five consecutive years. The company's current yield is 1.51%, and its three-year dividend-growth rate hovers around 15%. The company is not expected to raise dividends until May, but with a low forward payout ratio of 19%, the company is well positioned to continue its double-digit growth pace.

Building a foundation

All three companies on the list have a low starting yield and may automatically be discounted from an investor's self-imposed rules. However, all three have impressive dividend-growth rates and low payout ratios, which is a prescription for future income growth. It is also important to note that each is expected to grow earnings by double digits over the next couple of years. They are attractive building blocks for a balanced portfolio that will deliver impressive total returns.

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