3 Dividend Stocks Yielding +2.5% to Own for the Next 3 Years

Description

Last March, I wrote a piece for the Fool entitled “5 Dividend Stocks to Own for the Next 5 Years”.

A little over a year later, they’ve done performed reasonably well as a group, averaging 5.2% compared to 1.1% for the TSX over the same period.

Company	**1-Year Return**
Open Text Corp. (TSX:OTEX)(NASDAQ:OTEX)	-0.06%
Dollarama Inc. (TSX:DOL)	35.2%
Stella-Jones Inc. (TSX:SJ)	13.7%
Winpak Ltd.(TSX:WPK)	-9.5%
CCL Industries Inc.(TSX:CCL.B)	-13.0%

Source: Morningstar.ca

High dividend yield is optional

While a high dividend yield is nice to have, it shouldn’t be at the top of the list for reasons to buy dividend stocks. Consistent earnings and dividend growth are essential to future capital appreciation.

Without those two financial metrics for one or two consecutive years, you can be sure your stock price will head lower.

Anyway, each of these stocks is yielding 2.5% or more, but that's not why I've selected them. The reason I've chosen them is they've all increased their annual dividend for five consecutive years, which makes them Canadian dividend aristocrats; income investors love this type of stock, as do I.

Cineplex Inc. (TSX:CGX)

This is undoubtedly my most controversial of my three picks given how poorly Cineplex stock has performed over the past year as a result of delivering lower earnings than investors typically expect from the entertainment company.

I'm not going to say ignore the naysayers, such as Fool.ca contributor Joey Frenette, who believes, despite some of Cineplex's positive diversification efforts outside its core movie business, that the company won't be able to shake the poor box office that plagues theatre owners across North America.

Personally, I believe it's about bad content and not a secular trend out of the movie-going experience, but time will tell who's right.

I like Cineplex because it's got great management and, except for 2010, has increased its annual dividend in nine out of the last 10 years.

As for its 5.3% yield, I view that as a sign of value rather than of a financially troubled company.

Intact Financial Corporation (TSX:IFC)

I had long ignored Intact as just another insurance company, but then I read an article about CEO Charles Brindamour and came away so impressed I took a closer look and then recommended its stock last October.

Of course, like Murphy's Law, it's been downhill pretty much ever since — the curse of Will Ashworth and all that. But seriously, it's one of the best-run insurance companies in Canada with the underwriting profits to show for it.

But don't take my word for it. Why don't I let Kay Ng explain why she likes Intact stock:

"Thanks to the company's consistent profitability, it has grown its dividend for 13 consecutive years. Its 10-year dividend-growth rate is 9%. In fact, management just hiked its dividend by almost 9.4% for its first-quarter dividend," Ng wrote March 6. "Its payout ratio is estimated to be less than 42% this year. With earnings growth expected to continue, shareholders can expect the company to continue growing its dividend in the future."

If Cineplex is the risky stock, Intact would be considered the risk-averse stock.

North West Company Inc. (TSX:NWC)

I’ve been on North West’s bandwagon for almost two years now with nothing to show for it except the consistent raising of its quarterly dividend.

The interesting thing about the Winnipeg-based retailer is that it got its start in competition with the **Hudson’s Bay Co.,** then merged with it in 1821, only to be acquired by some of its employees in 1987. It’s pretty good at getting food products to remote and lowly populated areas and, as a result, makes good money doing it.

In 2017, North West’s revenues were $1.95 billion, 6% higher than in 2016. Its earnings declined by 7.1% in 2017 to $72 million as a result of acquisition-related expenses resulting from its purchase of some retail stores in the British Virgin Islands as well as the purchase of a North Bay airline specializing in deliveries to Canada’s north.

In 2018 and beyond, North West plans to focus on expanding the Giant Tiger brand across western Canada and buying up more locally owned Caribbean grocery and general merchandise retailers.

Of the three stocks, this is definitely the sleepiest, but if you hold for five to 10 years, you will make money.

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1. Editor's Choice

TICKERS GLOBAL

1. NASDAQ:OTEX (Open Text Corporation)
2. TSX:CCL.B (CCL Industries)
3. TSX:CGX (Cineplex Inc.)
4. TSX:DOL (Dollarama Inc.)
5. TSX:IFC (Intact Financial Corporation)
6. TSX:NWC (The North West Company Inc.)
7. TSX:OTEX (Open Text Corporation)
8. TSX:SJ (Stella-Jones Inc.)
9. TSX:WPK (Winpak Ltd.)

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