
# This Canadian Stock Looks Like a Future Dividend Aristocrat

## Description

When it comes to dividend growth stocks, it pays dividends (figuratively and literally) to analyze a company's history of dividend raises over the past decade and beyond. Unfortunately, many cash cows don't have dividend hikes that date back this far, but some are probably in a better position to deliver a greater magnitude of dividend hikes as we look ahead.



Thus, dividend growth investors should be more open to firms that haven't had the opportunity to fit the bill as a dividend aristocrat, which implies 25 consecutive years of annual dividend increases.

Looking back 25 years, you'll notice that many of today's publicly traded stocks weren't around back then, and the dividend aristocrats that exist today probably aren't growing as fast as they were back in the day. You would have profited a great deal even though such stocks weren't labelled as dividend aristocrats just yet by realizing the company's promising EPS growth profile and its fairly predictable growing stream of cash flow.

The predictable growth nature of such companies allows management to keep the hikes going through the worst of recessions in order to keep the streak alive. Thus, when the stock market crash finally happens, investors should have absolutely no hesitation when looking to buy more on the dip in order to be the first out of the gate once it is time to rebound.

While dividend aristocrats are wonderful for anybody's portfolio, spotting the next dividend aristocrat will allow investors the opportunity to get their pockets lined with ample amounts of cash to go with greater capital gains. Moreover, a future dividend aristocrat in its infancy would more often than not have a higher dividend CAGR than your average matured dividend aristocrat.

Spotting a future aristocrat, can be tricky, however, but there are many traits that may indicate that you've got one on your hands and should own the stock, and not trade it even though the buzz in the media would entice you to dump your shares at the wrong time, potentially missing out on dividends, raises, and capital gains.

Consider **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR), a stock that the average investor appears to despise these days. It's not because of the fundamentals however; it's because there's been a barrage of negative news stories surrounding Tim Hortons, ranging from various franchisee disagreements, lawsuits over computer bugs, and the unfair treatment of Ontario-based workers following a provincial minimum wage hike.

The negative news stories keep rolling in, and it's been driving down the entire stock despite continued growth from Burger King and the promising long-term potential behind Popeyes Louisiana Kitchen.

Tim Hortons is a Canadian staple and many Canadian investors may be angry at Restaurant Brands for moulding the brand into a business they no longer want to fit into their morning routine. The business itself, however, is an absolute cash cow, and is currently undervalued when you consider the ridiculously high growth ceiling and the potential to improve comps across all its chains.

The capital-light nature and the extraordinary growth potential paves the way for an accelerating cash flow stream that will go right back into the pockets of shareholders through consistent and generous dividend hikes.

Given the shareholder-friendly nature of management, I suspect double-digit annual dividend hikes will become the norm through good times and bad. And in over two decades from now, Restaurant Brands may be both a dividend aristocrat, as well as the largest fast-food company on the planet.

For long-term thinkers, Restaurant Brands is a forever stock. Recent news stories aren't detrimental to the long-term thesis. The relationship between Tim Hortons' franchisees and customers, I believe, can be repaired and forgotten about over the course of many years. With a new president at the helm of Tim Hortons and a "Winning Together" plan in place, I think there's nowhere to go but up when it comes to franchisee/franchisor relations.



For now, investors can pick up that 3.3% dividend yield and reap the rewards from many years of generous hikes.

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