GARP: Where Dividend Investors Need to Get in Early!

Description

Growth at a reasonable price, otherwise called GARP, is the phase that companies find themselves in when they are no longer in high-growth mode and have yet to not pay any type of reasonably attractive dividend. Put otherwise, they are the dividend-growth champions of tomorrow.

Investors should load up on these names today, since they know that the businesses are beginning to mature and the opportunities for the redeployment of cash are becoming more challenging. As this occurs, the attractiveness of a dividend initiation and/or an increase becomes much more apparent.

Here are a few names that fit into this category.

The first is none other than **Alimentation Couche-Tard Inc.** (TSX:ATD.B), which, at a price of $57 per share, has experienced a challenging year. The good news for investors is that higher oil prices have led to less disposable income for everyday consumers. As the coming quarters are expected to be challenging, the environment will bring about a buying opportunity to investors. With a yield close to 0.6%, investors can expect huge increases over the next decade. Eventually, the world will run out of room for yet another convenience store, and other things must be done with the free cash!

The second name for GARP investors to consider is **Dollarama Inc.** (TSX:DOL). At a price of $51 per share, Dollarama is starting to focus on the yield (which is only 0.3%), as the company is well into the expansion plan that was set out several years ago. Again, investors have the opportunity to get in on the ground floor, as the expansion reaches a peak and cash flows begin to pile up higher. Once the tap is turned off, there will a lot of excess cash available for investors!

On the U.S. side, **Starbucks Corporation** (NASDAQ:SBUX) may be the best choice, as the yield is now approaching 3%, and the company has started to shrink its domestic footprint, focusing instead on sales overseas. As the main market has clearly matured, the cash flows available to investors are expected to grow every quarter. After all, the international markets can be expanded quite easily with new debt and/or strategic partnerships. In the coming few years, a yield of 4% would not be surprising.

The final name on the list is **Home Capital Group Inc.** (TSX:HCG), which previously paid a very generous dividend until the company ran into some troubles just over one year ago. As the ship has stabilized with the help of Warren Buffett, investors can once again rest assured knowing that the long-term solvency of the company is not an issue. Instead, a major share buyback or dividend re-initiation may just be on the horizon. Only time will tell.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:SBUX (Starbucks Corporation)
2. TSX:DOL (Dollarama Inc.)
3. TSX:HCG (Home Capital Group)

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