Should Retirement Investors Buy This Famous Canadian Retailer for its Dividend?

Description

At a time when various stock market stressors are causing investors to turn to the classic defensive sectors, retirees and newcomers alike are looking to dividend stocks they can buy and hold on to for the long haul. If you've recently opened an RRSP or RRIF, you may know the feeling!

A favourite of passive-income investors looking for defensive compound returns, **North West Company** (TSX:NWC) can be found in many a Canadian portfolio. Every now and then, stock market commentators seem to remember this go-to retailer and write it up, so here we are again! However, this time around, let's see how the retailer holds up on its biggest draw: dividends.

If you don't know this company, North West Company has a smart business model: retailing in underserved, out-of-the-way communities. Focusing on northern and western Canada, rural Alaska, islands of the South Pacific and the Caribbean, it also serves a number of urban areas. Subsidiaries of the company carry various lines of household goods, but their main focus is on food; the general Canadian public may know the company best for its **Giant Tiger** discount stores.

But what's the dividend like, and how reliable is it?

To have a dividend stock that you can forget about, it needs to meet certain criteria. Some of the most obvious things to look for in a dividend stock are the following: the dividend has to be sizable enough to be worth bothering with; it should have a 10-year track record of payments; and that promised payout should be well covered by earnings. Does North West Company add up?

A dividend yield of 4.48% is what really makes North West Company stock stand out. That yield is high for the industry, but you *can* get higher on the TSX. In terms of a track record, it's possible to go back to 2011 and see what the stock pays via the North West Company website. At present it pays $0.32 a share, and its track record for paying quarterly is well represented, with the next payout due in October.

In short, investors looking for classic defensive stocks are on the right track with North West Company, though they might want to check out some of its competitors in the retail industry as well. One note of concern with North West Company is its exposure to the Caribbean, and the risk that intense localized storms can bring to the bottom line. Speaking of which…

The bottom line

North West Company looks like a good buy today for investors looking for a tidy dividend every quarter. A good choice for retirees looking for some peace of mind, this is also a good recommendation for younger investors who like some brand familiarity with their stocks.

New investors should also think about looking at alternative tried-and-tested, non-cyclical sectors, such as healthcare, household, and personal care. Out of those three, the TSX's strongest suit has to be utilities, so have a shop around and see what fits your portfolio.

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Date
2025/08/19
Date Created
2018/08/14
Author
vhetherington