



Looking for Income? This Underfollowed Small Cap Is a Dividend Star

Description

Dividend-growth investors tend to look at the larger, more [stable dividend-growth companies](#). There are, however, some intriguing small caps that have proven to be very effective income distributors.

One such company is **Sylogist** (TSXV:SYZ). This little-known small cap is a technology innovation company that provides intellectual property solutions to a range of public and private sector customers. It is better defined as a software company that provides a range of enterprise resource planning solutions, including fund accounting, grant management, and payroll systems.

Some of its major customer groups include local governments, national governing organizations, and education boards. Sylogist has over 1,000 customers worldwide, the bulk of which are in North America and the U.K.

Impressive growth

Year to date, Sylogist has been a top performer. Its share price has risen approximately 26%, far outpacing the broader market. Over the past five years, the company's stock price has averaged a 17% return.

The company is what one would call a high-growth stock. Sylogist has grown revenues by a compound annual growth rate (CAGR) of 35% over the past five years. Earnings per share (EPS) have been significantly more volatile, but it's important to note that EPS are impacted by one-time items.

Given that Sylogist has a growth-through-acquisition mentality, EPS is often impacted by acquisition costs. Despite the volatility, EPS have grown by a CAGR of 26% since 2012. What happens if the company can't find any attractive companies to acquire? This brings me to the company's capital-allocation policy.

Capital allocation

Sylogist is a [Canadian Dividend Aristocrat](#), having raised dividends for seven consecutive years. Over the course of this time frame, the company has averaged a dividend-growth rate of approximately 16%.

As a result, shareholders would have seen their dividends double in fewer than five years.

That is just the regular quarterly dividend. Since 2015, the company has also issued a special dividend on four separate occasions. In total, the company distributed an additional \$0.27 per share in special dividends. This is equal to almost a year's worth of monthly dividends at today's quarterly payout of \$0.08 per share.

Over the past three years, the company has announced its special dividend in late fall. Given its record results thus far in 2018, another special dividend may be in the cards.

Sylogist is extremely shareholder friendly. If it can't find something to invest in, it will either buy back shares or issue special dividends to shareholders. This little-known tech star is an attractive investment for income-seeking investors.

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