



Beat the TSX With This High-Growth Dividend Stock

Description

In an environment of rising interest rates, dividend stocks tend to underperform. As rates rise so do yields on bonds and other guaranteed income investments. This makes dividend investing less attractive to investors. It's important to note, however, that not [all dividend stocks](#) are created equal.

One way to sidestep underperformance is to focus less on yield and more on companies that are [growing their dividends](#) — companies that have a strong history of growing sales and earnings that will outperform regardless of interest rates.

One company that meets these criteria is **Waste Connections** ([TSX:WCN](#))([NYSE:WCN](#)).

Growth profile

Waste Connections has a strong history of growing revenue and earnings. The company has grown revenue by a compound annual growth rate (CAGR) of 34% over the past 10 years. Without missing a beat, it has also posted year-over-year (YOY) revenue growth in each of these years. Although its chart isn't as smooth as revenue, earnings have growth by a CAGR of 44% over the same time frame. Aside from a couple of blips along the way, it has been pretty reliable in posting YOY income growth.

Take a quick look at the company's chart below. It's a thing of beauty.



Over the past 10 years, Waste Connections's strong performance has led to gains of 512%! That is an average of 51.2% annually.

Looking forward, analysts are expecting the company to post mid-teens growth through 2020. This may not be at the same clip as its historical averages, but it's a healthy growth rate nonetheless. Also worth noting: the company has beat analysts' earnings estimates in 14 straight quarters dating back to the third quarter of 2015. It hasn't missed earnings estimates since the fourth quarter of 2014. As such, don't be surprised if the company continues to surprise to the upside.

Rising dividend

As of writing, Waste Connections is yielding 0.85%. Although it may not seem impressive, its yield remains depressed because of significant share price appreciation. This isn't a bad thing. Waste Connections first started paying a dividend in October 2010. It has since raised dividends for eight consecutive years and is thus a Canadian Dividend Aristocrat.

Waste Connections also has one of the highest dividend-growth rates on the TSX. It has a double-digit dividend-growth rate with one-, three-, and five-year dividend-growth rates of, 22%, 16% and 15%. The company last raised dividends by 14% in late October along with third-quarter earnings. Given its respectable 31.5% payout ratio, Waste Connections has plenty of room for continued double-digit dividend growth.

Foolish takeaway

Waste Connections is a great dividend stock to counter rising interest rates. Investors will enjoy outsized capital appreciation and continued double-digit dividend growth.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

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1. NYSE:WCN (Waste Connections)
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