Alert: 2 Top Dividend Growth Stocks for Tumultuous Times

Description

In the last couple of months, rising interest rates have given rise to an increasingly louder group of investors like me, who have been gravitating toward the more defensive areas of the market.

Today, amid the news of auto giant General Motors Co. shutting down its manufacturing plant in Oshawa, Ontario and the ongoing trouble in the energy patch, it's becoming even more obvious that the economy and the consumer are on shaky ground.

George Weston Ltd. (TSX:WN) is one stock that will feel none of this negativity that investors should consider adding.

George Weston stock has certainly taken a beating, and is now down approximately 13% year-to-date, which is a lot for a defensive, relatively stable company like this one.

With its ownership of **Loblaw Companies Ltd**. (TSX:L), which is seeing improving performance as a result of investments in IT and supply chain management approaching 50% — and George Weston's own program to add $100 million to EBITDA by 2020/21, the company appears well positioned for improvement.

But this past year has seen many operating challenges and intense competition, so what's next?

While the latest quarter saw the company institute a 5.1% increase to its dividend and a successful spin-out of Choice Properties, the company recognizes that its turnaround will take longer than anticipated.

For investors, who are probably in the stock for its deep value, defensive qualities, its almost $2 billion in cash on its balance sheet, and its stability and upside, this is still a solid opportunity.

The stock is now trading at a P/E multiple of 14 times this year's expected earnings, and 13 times next year's expected earnings with a 2.17% dividend yield.

It's a very attractive price for a defensive stock with a large cash balance and a strong competitive position.

Another stock that is highly attractive in this market is **Metro Inc**. (TSX:MRU).

With an $11 billion market capitalization and a 1.6% dividend yield, Metro has been and will likely remain a story of consistency, stability, and shareholder wealth creation.

Metro stock has rallied 12% year-to-date, defying market weakness and shining bright in a sea of red.

This makes total sense, as continued strong results and dividend increases have been typical of the company.

To illustrate my case, 2018 EPS was $0.63 versus $0.51 in the same period last year for an increase of 23.5%, buoyed by the Jean Coutu acquisition. The annual dividend was increased by 16% in 2017 to $0.65 per share and by 10.8% earlier this year to the current $0.72 per share.

Metro's P/E multiple is approximately 17 times and has room to rise, as the company's future looks good and relatively unaffected by rising rates and potential consumer weakness.

CATEGORY

1. Dividend Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

1. TSX:L (Loblaw Companies Limited)
2. TSX:MRU (Metro Inc.)
3. TSX:WN (George Weston Limited)

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Author
karenjennifer