2 Canadian Dividend Stocks to Buy for 2019

Description

When it comes to purchasing dividend stocks, a high dividend yield isn't the only, or even the main criterion investors should consider. A high dividend yield can be a double-edged sword, as it may sometimes indicate that the company will decrease its dividend payments.

The underlying business model of a company is arguably the most important factor to consider when evaluating dividend stocks. Only companies capable of continuously increasing earnings and cash flows can afford constant dividend increases.

Today, let's consider two such companies: **Restaurant Brands International Inc.** (TSX:QSR)(NYSE:QSR) and **Canadian Tire Corporation** (TSX:CTC).

Restaurant Brands International

QSR is a multinational fast food holding company. The firm was created in 2014 when the American fast food restaurant chain **Burger King** and Canadian restaurant chain **Tim Hortons** merged. QSR also acquired the American company **Popeyes Louisiana Kitchen** in 2017 – an acquisition that rendered QSR one of the largest restaurant chains in the world.

The main brands under the QSR umbrella are all highly successful in their own right. Each commands a respectable market share and boasts loyal customers in the U.S. and Canada. Burger King and Popeyes are also internationally known brands with hundreds of franchises worldwide. Given the size of QSR, the company will likely acquire other restaurant chains in the future; QSR shows strong growth potential.

QSR's net income has increased exponentially since 2015 as the company adapts to its new structure. Over the same period, QSR's dividend payouts have more than doubled. The company is currently on pace to record higher earnings than the previous fiscal year, while its operating expenses continue to decrease. QSR is also continuously adding to the number of stores it owns, with a 6.1% net restaurant growth during the third quarter of 2018.

QSR's current dividend yield is 3.32%, with a 46.2% payout ratio. At this pace, the company will continue to increase revenues and profits along with its dividend payouts.

Canadian Tire Corporation

CTC sells a variety of products from sporting goods to automotive parts. The company does more than sell merchandise to clients, however. CTC offers credit cards as well as various retail banking services, including checking and savings accounts. CTC also offers a wide array of insurance services.

Some analysts argue that CTC's range of services spreads the company's resources too thin. It is very difficult to argue with results, however. CTC's third-quarter earnings report was excellent. The company's sales increased by 4.4% year over year, while revenue, net income, and earnings per share increased by 11.2%, 16.5%, and 21.7%, respectively.

CTC's year to date results were just as impressive, with notable increases in sales, revenues, operating income, and net income. The company's financial results have slowly but steadily improved over the past few years. CTC's dividend payouts have almost doubled since 2015. CTC currently offers a dividend yield of 7.82% and a payout ratio of 31.22%.

The bottom line

QSR and CTC both seem to be able to sustain constant dividend increases, which makes them interesting options to consider for income-oriented investors. Both companies have a diversified pool of revenues, a strong business model, and promising prospects. CTC offers a higher dividend yield, but that's merely the cherry on top.

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2. TSX:CTC.A (Canadian Tire Corporation, Limited)
3. TSX:QSR (Restaurant Brands International Inc.)

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