3 Stable Dividend Growers for Hard Times

Description

With the market taking investors on a non-stop thrill ride, now seems like as good a time as ever to begin loading up on some conservative, income-generating stocks for your portfolio. Companies that provide essential products like food and consumer staples don't ever stop selling, so making these a core part of your income portfolio can be a good strategy through good and bad times.

Fortunately, Canada has a number of great grocery-focused companies that are relatively diversified and have dividends that grow over time. While the stock prices of these companies may not double over the course of a year, the relative stability of your capital during good and bad times will provide some comfort during times of uncertainty.

Dollarama (TSX:DOL)

Since this Canada-focused company generally appeals to individuals who are attempting to save money, Dollarama is well positioned in the event of a recession in Canada. At the moment, Canadians are starting to feel the pinch of rising interest rates impeding their ability to spend and stagnant home prices reducing their ability to borrow against their equity. The cheaper products available at Dollarama might start to seem more and more appealing.

Dollarama shares are also more attractive than they have been in years after a huge slide in the share price in the latter half of 2018. While not exactly cheap at a price-to-earnings (P/E) ratio of 23 times earnings, Dollarama still possesses growth potential that will help power future earnings and dividend growth. If the dividend increase of 9% last March is any indication, its small 0.45% yield could continue to increase quickly in the coming years.

Metro (TSX:MRU)

While Dollarama is focused on the sale of a large number of affordable goods, Metro is a more traditional grocery focusing primarily on food and food products. Metro operates its premium stores, Jean Coutu pharmacies, and discount Food Basics brands.

Of the three stocks, Metro is the cheapest, currently trading at a P/E of just under seven times trailing earnings. The company has a reasonable dividend of 1.47%. The dividend has been growing steadily over time, including the recent increase of 10.8% last year.

Alimentation Couche-Tard (TSX:ATD.B)

Compared to its more Canadian-focused contemporaries, Couche-Tard has the benefit of providing more diversified exposure than either Dollarama or Metro. The company is becoming very international, with operations in Canada, the United States, Europe, and in developing nations around the world.

Due to its powerful capital appreciation over the past several years, Couche-Tard is also not a cheap stock at a P/E of 21 times trailing earnings. While its dividend is also under 1% at 0.57%, it is raising it at an incredible pace, including the 20% dividend increase investors experienced last fall.

The bottom line

These three companies will give you stability and quickly growing income during tough times. Their diversified businesses and geographic footprints will help stabilize the capital in your portfolio when times are turbulent. These are long-term holds for the patient dividend investor.

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