



Bank of Montreal (TSX:BMO): A Buy and Hold Forever Dividend Stock?

Description

A select group of stocks has the potential to offer investors dividend payouts in perpetuity. If you are looking for such a stock, it might be wise to look to the banking industry, which features some of the longest dividend-paying companies in Canada.

Bank of Montreal ([TSX:BMO](#))([NYSE:BMO](#)) – [one of the Big Five Canadian banks](#) – is a potential candidate. Let's consider two reasons why the Toronto-based financial institution might possess the requisite attributes to continue offering dividends payouts for a very long time.

Sustained growth

Despite being one of the largest Canadian banks, BMO is significantly smaller than the trio of financial institutions that dominate the banking sector in Canada. This factor has not crippled BMO, though, and the company has shown strong growth over the past few years. Since 2015, BMO's revenue has increased by about 19%, while net income has grown by 24%. Both figures are more or less in line with BMO's peer group.

Though BMO generates most of its earnings domestically, all of the company's segments across all geographical regions have seen increases recently. BMO is also capable of sustaining revenue and profit growth through acquisitions. The company completed its latest one in September of last year, when it bought **KGS-Alpha Capital Markets**, a U.S. based fixed-income broker and dealer. This acquisition will bolster the firm's capital market segment.

Dividend history

The **S&P 500 Composite Index** features stocks that are dubbed Dividend Aristocrats. These companies have increased their dividend payouts for at least 25 consecutive years, earning the respect and trust of investors in the process. The ability to sustain dividend increases for so long despite business and economic cycles is impressive. Though BMO's recent dividend history is not as storied as that of an aristocrat, the company's dividends generally follow an upward trend.

Over the past 10 years, the company has increased its quarterly dividend payouts by 42%, or a 4.2% average annual dividend increase. BMO halted dividend increases for more than a few quarters only once over the past 20 years, and that was during the financial crisis at the end of the past decade. Even during this crisis, BMO did not cut or discontinue its dividend program. BMO's current dividend yield stands at 3.90%, which is good for its industry; the company offers a payout ratio of 46.27%, which is very reasonable as well.

Investor takeaway

As recent history demonstrates, the oldest Canadian bank has both the assets and the business model necessary to sustain dividends for many more years to come. After all, the company has been paying dividends for more than 100 years. There will, of course, be hiccups along the way, just as there were before. Banks are cyclical businesses, and their earnings are affected by various economic and geopolitical factors.

The prevalent economic climate of the past few years has generally been good for banks. Things are bound to change, eventually. However, BMO has seen it all before, and the company has demonstrated its ability to sustain dividend payouts even through severe market downturns. If you're currently looking for a dividend stock, you can purchase and stash in your portfolio for years, BMO is a candidate that deserves serious consideration.

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