3 Dividend Stocks With Unbelievable Dividend Growth

Description

When investing in dividend stocks, it pays to look at more than just the yield. Sure, a 5% yield will result in some big payouts today. But what if the dividend is cut tomorrow? Companies whose earnings are falling or whose payout ratios are unreasonably high pose a serious risk of having their dividends cut.

That's why, if you're going to invest in dividend stocks, you should take a close look at the stock's dividend growth rate. A stock whose dividend increases over time–supported by corresponding growth in earnings–is likely to continue paying high dividends in 10 years. Conversely, a stock whose yield is high today will likely not have a high yield tomorrow if earnings and payouts have been falling for several consecutive quarters. With that in mind, the following are three dividend stocks whose payouts have been growing steadily for years.

Canadian Pacific Railway (TSX:CP)(NYSE:CP)

Canadian Pacific Railway is one of Canada's two big railway companies. Bucking the slow and steady earnings stereotype that has traditionally plagued railway stocks, it grew revenue by 17% and adjusted EPS by 41% in its most recent quarter.

Canadian Pacific's dividend yield is pretty low, sitting at around 0.9% as of this writing. What this stock does have going for it, though, is dividend growth. In the past 12 months, the dividend has jumped by 14.5%, while the average five-year dividend growth rate is 22%. Of course, if you're starting with a 0.9% yield, it'll take a long time before you're earning much income from this stock even with those rates. However, the dividend growth does point to a company that's growing earnings enough to up its payouts by leaps and bounds.

Enbridge Inc (TSX:ENB)(NYSE:ENB)

Enbridge is an energy infrastructure company that manages a number of projects, including pipelines, bridges and wind farms. The company has a phenomenal five- year annualized dividend growth rate of

17.20%, and increased its dividend from $0.67 to $0.73 in 2019. In Q4, the company grew diluted EPS to $0.60 from $0.13 in the same quarter of 2017–a 361% growth rate. Assuming Enbridge can keep the high earnings growth coming, then those dividends should continue growing into the future as well.

CCL Industries Inc (TSX:CCL.B)

CCL Industries is a company that specializes in packaging and labels for a wide variety of industries. These include beverages, cleaning products, pharmaceuticals and more. Some of CCL's packaging solutions are highly specialized, and include things like pressure sensitive labels and pull-off tabs that allow users to open items more easily. CCL is in a unique niche, which could arguably give it an economic moat.

Since 2017, CCL's dividend has increased from $0.11 to $0.17, giving it a high two-year dividend growth rate. Technically, this stock's dividend was as high as $0.5 in the past, but that was before a five-way stock split. Taking the split into account, this stock has a five-year dividend growth rate of 22%.

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1. Dividend Stocks
2. Energy Stocks
3. Investing

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