



## This Dividend Growth Stock Could Finally Be on the Verge of a Major Breakout!

### Description

It's been a long time coming, but sometimes patience has its rewards.

Shares in **Molson Coors Canada Inc. Class B** ([TSX:TPX.B](#))([NYSE:TAP](#)) have posted positive gains in four of the last five weeks and appear to be on the verge of a major breakout that could potentially take the stock to new highs.

### Patience has its rewards

Shares in the world's third largest alcoholic brewer have languished for much of the past 12 months even as the markets have continued to make fresh new highs.

It would be easy to understand how some would have lost patience with the company, as it has struggled to pay off debt and regain the confidence of markets following its \$12 billion acquisition of the Miller Coors joint venture in 2016.

It's a deal that has vastly increased the size of Molson's available market, but also one that cost the company a pretty penny, forcing it to suspend any increases to its dividend indefinitely and abandoning its previous policy.

Without question, it was a decision that had some investors holding the bag, but now, a little more than two years later, it's starting to look as though the dust has finally settled and the company's fortunes are beginning to improve.

### Short-term pain for long-term gains

The decision on the part of Molson's board of directors to hold off on making any additional increases to its quarterly dividend sent dividend-focused investors looking elsewhere, yet there's good reason to believe that these same investors may now be flocking back to the stock.

Molson has paid off more than \$3 billion in debt over the past two years, and if management and the board of directors can agree that they've been able to sufficiently restore flexibility to the company's balance sheet, then there's at least a good chance that Molson could be reinstating its pre-existing dividend policy as early as sometime later this year.

## Big upside potential in Molson stock

Historically, Molson has targeted a dividend policy that pays out to its shareholders somewhere in the neighbourhood of 20% of trailing EBITDA.

In 2017 and 2018, management generated in excess of \$2.5 billion of EBITDA, meaning that a 20% dividend payout ratio based on a similar result achieved in 2019 could result in as much as a 40% increase to its current 2.61% dividend yield.

## The *Foolish* bottom line

Granted, it's unlikely that the board of directors would make a decision to raise the company's dividend by 40% overnight.

A more likely scenario would be for the board to manage investor expectations by announcing a resumption of its pre-existing dividend policy, setting the table for a period of gradual successive increases to its payout.

It's a scenario that could get the attention of a lot of [dividend hungry investors](#) out there — and one that could also lead to a significant reversal in [momentum](#) for the Molson TAP stock.

### CATEGORY

1. Dividend Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:TAP (Molson Coors Beverage Company)
2. TSX:TPX.B (Molson Coors Canada Inc.)

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

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