2 Top Canadian Stocks That Just Increased Dividends by 11%

Description

Dividend increases are a sure signal of company confidence. In August, the strongest dividend increases came from **Jamieson Wellness** (TSX:JWEL) and **Ritchie Bros. Auctioneers** (TSX:RBA)(NYSE:RBA). They raised their payouts by 11.1% higher, which suggests they're high-growth stocks. Because their yields are about 2% or lower, investors should be extra careful about the valuation they pay.

Jamieson Wellness

Back in February, I wrote that Jamieson was a great buying opportunity. Since then, with ups and downs, the stock has rallied close to 30% in a little more than six months! These are superb returns.

In the first half of the year, revenue rose 8.7% to $153 million, while the cost of sales increased by the same percentage against the comparable period a year ago. So, the gross profit margin remained the same at 37.1%.

Notably, the operating margin improved by 190 basis points to 14.3% thanks to lower selling, general, and administrative expenses. Jamieson was able to grow adjusted net income by 13.5% to $14.4 million.

Adjusted EBITDA, a cash flow proxy, increased at a healthy rate of 15% to $30.9 million with the help of the adjusted EBITDA margin expanding by 120 basis points to 20.2%.

Altogether, the results translated to adjusted earnings-per-share growth of 12.5% to $0.36. Therefore, it was no surprise when Jamieson announced a dividend hike to an annualized payout of $0.40 per share. The company's payout ratio remains reasonable at roughly 43%.

People are more and more health conscious and will carry on buying Jamieson's vitamins, minerals, and supplements. So, its earnings will likely be stable even in the face of economic downturns.

At more than $24 per share as of writing, the stock appears to be close to fully valued at more than 26 times earnings. Long-term returns of more than 10% per year are still possible but there just isn't a big margin of safety like there was in February.

Ritchie Bros. Auctioneers

On one hand, compared to Jamieson, Ritchie Bros will likely experience greater cyclicality. On the other hand, Ritchie Bros should be less cyclical than other industrial companies, because it earns a large portion of service revenue.

Ritchie is the world's largest industrial equipment auctioneer; it operates 40 live auction sites in 13 countries and an online marketplace called IronPlanet.

In the first half of the year, Ritchie's revenue increased by 22% to US$697 million against the comparable period a year ago. About 58% was service revenue. The other type of revenue, inventory sales revenue saw greater growth of 62%, though.

The operating margin contracted by 120 basis points to 16%, but adjusted diluted earnings per share still managed to increase by 13.8% to US$0.66. This increase helped support the August dividend hike to an annualized payout of $0.80 per share. The company's payout ratio remains reasonable at roughly 47%.

Notably, the gross transaction value, which represents the total proceeds from all items sold at the company's live on-site auctions and online marketplaces, increased by 3%.

RBA stock has done well recently by appreciating 18% year to date. The stock is fully valued. Therefore, interested investors should wait for a better entry point.

CATEGORY

1. Dividend Stocks
2. Investing

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1. Editor's Choice

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2. TSX:JWEL (Jamieson Wellness Inc.)
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