These Top Dividend Growth Stocks Are a Buy Heading Into 2020

Description

There are several types of dividend strategies. Some involve chasing yield, while others focus on dividend growth. I prefer the latter. Dividend growth investing has become increasingly popular as the interest rates generated from fixed income assets (GICs, bonds, etc.) are negligible. Why this strategy rather than one focused on yield?

For starters, companies with high yields most likely have high payout ratios, which could indicate that the company's dividend may not be sustainable.

Dividend growth adds a level of security to your portfolio, as it involves investing in companies with a record of raising dividends. When a company raises its dividend, it's a sign that the company is confident in its future and is more likely to be on solid financial footing.

The best place to begin is the list of Canadian Dividend Aristocrats, which are companies that have raised their dividend for at least five consecutive years. As of writing, there are approximately 100 **TSX-l** isted companies on the list.

Given that there are approximately 1,500 **TSX** listings, Aristocrats account for just 7% of the Index, narrowing your search considerably.

The other group worth paying attention to are those who are on the verge of becoming Aristocrats. These are companies that with a four-year dividend growth streak.

Usually, these companies fly under the radar until they become Aristocrats. Many dividend growth investors won't look at a company unless it's achieved this status, and there are several funds that track the Aristocrat Index. As such, when they hit five-consecutive years of dividend growth, their profile and liquidity increases.

With that in mind, here are two stocks that will become Canadian Dividend Aristocrats in 2020.

goeasy

I've written about **goeasy** (TSX:GSY) several times before. It's one of my favourite financial stocks and it has done nothing but perform. Since it began to issue guidance almost a decade ago, it has always met or beat expectations.

In 2019, the company's stock price is up 65% and it has averaged 35% annual growth over the past five years, which makes it one of the best-performing financial stocks on the Index.

Not only has it outperformed, but it's also becoming a premier dividend growth stock. Since its streak began, it has averaged over 20% dividend growth. No other financial stock on the Aristocrat list can match this level of dividend growth.

Likewise, since it has grown earnings at a rapid pace, goeasy's payout ratio has consistently hovered around 25%, which is among the lowest in the industry. Only **Equitable Group** has a lower payout ratio.

As goeasy is expected to growth earnings at an over 30% clip over the next couple of years, expect the pace of dividend growth to be among the best in the industry.

NFI Group

A leading manufacturer of green motor coaches, **NFI Group** (TSX:NFI) is another income stock worthy of investors' attention. In 2019, the company has struggled as it has been dealing with one-time operational and supply chain issues.

The markets have punished its stock, and it is now trading at a 23% discount from the highs it achieved earlier in the year. Despite its recent downtrend, the stock has averaged 25% growth over the past five years.

Over the past five years, the company has grown earnings by an average of 27% annually. It's therefore not surprising that the dividend has grown at a 20% pace over the same period.

Since the company raised the dividend this past March, it will officially become a Canadian Dividend Aristocrat in 2020. NFI Group has a decent payout ratio of 50% and is well positioned to maintain double-digit dividend growth for the foreseeable future.

Analysts expect NFI to grow earnings by an average of 31.40% over the next five years, which will underpin consistent dividend growth and could position it as one of the best dividend growth stocks in the country.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:GSY (goeasy Ltd.)
2. TSX:NFI (NFI Group)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/07/22
Date Created
2019/11/12
Author
mlitalien