Income Investors: These 3 Stocks Are Poised to Hike Their Payouts

Description

Dividend-growth investing is a extremely simple way to slowly get wealthy.

I'm the first to admit that sometimes a dividend-growth stock will fail spectacularly and cut its payout, usually after a big decline in the stock price. But investors can easily guard against this by having a diverse portfolio and remembering the growth part of the equation. It isn't just enough to grow the payout; a stock must also steadily increase its top and bottom lines.

Many of these investors are guilty of just looking backwards. They figure a stock with a streak of dividend increases is more likely to continue hiking the dividend. I prefer to look forward and try to guess companies with the capacity to hike their dividends in the future. Many of these stocks will be traditional dividend growers, but not always.

Here are three companies that look poised to grow their dividends for years to come.

Enbridge

If last year's dividend hike is any indication, **Enbridge** (TSX:ENB)(NYSE:ENB) should be poised to increase its dividend by 10% annually when hosts its annual investor day on December 10. It announced last year's dividend hike during 2018's investor day. Shares currently yield 5.9%.

Investors already have a pretty good idea of what's coming. North America's largest energy infrastructure company has told the market to expect 10% annual dividend raises through 2020, the latest in what's been a wonderful history of steady increases. In fact, Enbridge has raised its payout each year for the last 20 years, increasing it by an average of 12% each year.

The company is continually taking steps to ensure it will grow the bottom line fast enough to ensure dividend hikes continue. Growth projects include increasing capacity on its all-important Line 3 in both Canada and the U.S., as well as completing construction on an off-shore wind farm off the coast of France. In total, it'll have $19 billion worth of growth projects coming online in 2019-20, which will helpit keep the dividend under its own targeted payout ratio of under 65% of distributable cash flow.

Rogers Communications

This choice might be a little more controversial.

Unlike its peers, who have continued increasing their dividends, **Rogers Communications** (TSX:RCI.B)(NYSE:RCI) paused dividend growth for a few years. The company kept its quarterly payout steady from 2015 to 2018, only increasing its dividend by a measly $0.02 per share at the end of 2018. The current payout is $0.50 per quarter, which is good enough for a 3.1% yield.

Rather than increasing its dividend, Rogers used the capital saved to expand its network, pay down some debt, and decrease subscriber churn. It succeeded on all three fronts. Long-term debt has decreased some $2 billion from its peak in 2016, and the company's balance sheet is in better shape.

Rogers also has the lowest payout ratio of its peers, with the dividend currently at less than half its trailing net earnings. That bodes well for future increases.

Equitable Bank

In a world where Canada's big banks all pay dividends in the 4-5% range, why would anyone pay attention to **Equitable Group** (TSX:EQB) and its puny 1.3% yield?

The answer is simple: that minuscule payout is poised to get a whole lot bigger.

Equitable has had great success growing its subprime mortgage business as it lends to customers with solid down payments and somewhat bruised credit. The company has been showing for years these folks are still a good credit risk, and the market is finally starting to pay attention. Shares have almost doubled in the last year.

The company pays an annual dividend of $1.40 per share. Over the last 12 months, it earned $11.18 per share. That gives Equitable a payout ratio of just 12.5%. You won't find many payout ratios lower.

Equitable is still growing its bottom line at a torrid pace, with analysts expecting profits to increase by more than 15% next year. This means Equitable can hike its dividend by 20% — which management has already told investors to expect over the next couple of years — while keeping its payout ratio virtually the same.

In fact, Equitable is poised to be able to deliver significant dividend increases for the better part of a decade. Dividend-growth investors, take notice.

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