TFSA INVESTORS: A Huge Growth Stock That ALSO Has Dividends!

Description

Too often, growth and income can be hard to find in the same package.

Since most high-yield stocks are in mature industries, they usually don't offer the best potential for capital gains.

On the other hand, the stocks with the biggest potential gains, like tech stocks, almost never pay dividends.

For this reason, investors often resign themselves to choosing between growth and dividends.

That isn't always necessary. As you're about to see, there are indeed high-growth stocks that pay dividends. While their yields aren't always the highest, they often have superior dividend growth. In fact, in some instances, buying a low-yield dividend growth stock could leave you with a high yield on cost in a few years. In this article I'll be exploring one TSX stock that has the potential to do just that.

Alimentation Couche-Tard

Alimentation Couche-Tard Inc (TSX:ATD.B) is Canada's largest convenience store company.

It operates a number of convenience store brands, but is best known for Circle K.

Circle K is a convenience store chain that also sells fuel. It spent much of the past decade re-branding Irving stores to its own brand identity in Canada. It has also been pushing into the U.S., where it has a 6.7% market share in convenience store fuel sales, and a 2.1% market share in overall gas station fuel sales.

This push into the U.S. is especially encouraging. The U.S. is a large market, and even with its status as the #1 convenience store gas station chain in the country, Alimentation has plenty of room to grow there.

What's driving the superior returns

Alimentation's superior growth has been driven by growth in the underlying business, particularly fuel sales and overall same-store sales.

In its most recent quarter, ATD.B increased earnings per share by 24.4%, fuel volume by 0.6%, and same-store merchandise sales by 3.2%.

In this particular quarter, fuel growth wasn't as hot as in the past, but the 3.2% boost in same-store sales was encouraging. If you're not familiar with retail investing, same-store sales is an industry-specific metric that measures how much sales growth a company can produce *at existing locations*. For this particular metric, growth in the 1% to 5% range is usually considered solid, because it excludes sales growth stemming from opening new locations.

Incredible dividend growth

One final factor that ATD.B has going for it is incredibly strong dividend growth.

Over the past five years, ATD.B has grown its dividend by 29% annualized, which is an unbelievable rate.

Although the stock only yields 0.5%, the yield on cost will go much higher if the past trend of dividend increases continues into the future. And continue it could! With a payout ratio of just 10%, Alimentation can easily afford to raise its dividend even without much earnings growth. Throw in some earnings growth on top of that and we've got a recipe for sustained double-digit dividend increases well into the future.

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andrewbutton