



The 3 Canadian Dividend Aristocrats With the Highest Growth Rates

Description

Sometimes, investors get too hung up on yield and pass on high-quality companies with lower yields. Understandably, some investors are focused on income today. However, those with a longer-term horizon may be better off taking a pass on high-yield, low-growth companies.

A simple calculation shows that lower-yield stocks that have a high dividend-growth rate are likely to pass their high-yield peers in terms of income in the future. Although there are many factors at play, and this is but an oversimplification, the fact remains that those with a high dividend-growth rate make attractive income investments and should not be overlooked.

Considering this, I present the three Canadian Dividend Aristocrats with the highest dividend-growth rates. To ensure they are also attractive to those looking for income today, the screen included those with a yield greater than 3%.

Savaria

A leading provider of mobility solutions, **Savaria** ([TSX:SIS](#)) currently offers a 3.2% yield. It also has the highest dividend-growth rates among all TSX-listed companies with yields above 3%. Over the past three and five years, it has raised dividends by 30.6% and 25.6%, respectively. This past September, the company raised dividends by another 10%.

It hasn't [been a great year](#) for the company, as it dealt with some integration issues from its latest acquisition. This led to lower-than-usual margins, and the stock price has only managed to gain 6% in 2019. The good news, however, is that the company expects to return to normal margins in 2020.

Analysts are very bullish on the company with all six rating the company a "buy." They have a one-year price target of \$17.32 per share, which implies 23% upside from today's price. Likewise, estimates are for Savaria to grow earnings by an average rate of 23% annually over the next few years. This should underpin strong dividend growth for the short to medium term.

Canadian Natural Resources

You might be surprised to find one of Canada's leading oil producers on this list — don't be. **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) is a cash machine. In the latest quarter, it posted record quarterly free cash flow (FCF) of \$1.9 billion. Remember, FCF is the amount of cash left over after capital expenditures and dividends paid.

Over the past three and five years, Canadian Natural has raised dividends by double digits. It last raised dividends by 12% this past March. Considering the low payout ratio (44%) and ability to generate considerable cash at today's oil prices, investors can expect robust dividend growth for years to come.

Likewise, the company is also paying down debt and buying back shares. In line with its capital-allocation policy, it re-directs 50% of FCF towards share repurchases and debt repayment. Canadian Natural is arguably Canada's top energy stock and is worth a second look, despite industry headwinds.

Enbridge

Next on the list is another one of Canada's leading energy companies — **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)). It has been a transformational year for the company, as it consolidated the majority of its sponsored vehicles and simplified the corporate structure. The markets have lauded the move, and its share price is up approximately 20% this year.

When Enbridge announced it was simplifying the corporate structure, it also introduced a targeted dividend-growth rate of 10% through 2021. So far, the company has remained true to its word. This means, investors can expect strong dividend growth for at least the next couple of years.

Considering the company has the highest yield of the group at 5.62%, it may just be the [best dividend-growth stock](#) on the TSX. At a 10% growth rate, an investor's yield on cost can rise quite quickly. In fact, the company's yield is well above the 3.5% Canadian Dividend Aristocrat average. As such, the stock is the perfect blend between high yield and growth and is appropriate for income investors of all types.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:ENB (Enbridge Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:ENB (Enbridge Inc.)
5. TSX:SIS (Savaria Corporation)

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