3 High-Growth Dividend Aristocrats to Own for the Next Decade

Description

When looking at and considering investing in a Canadian Dividend Aristocrat, there are two ends of the spectrum you can consider investing in.

You can either find a high-yield aristocrat that probably pays out the majority of its profits and cash flow or you can invest in a solid growth company that maybe only pays out a small yield, but continuously increases it and offers solid capital appreciation alongside the income it pays.

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There are a number of high-growth aristocrats to consider, and because their payout ratios are less than a high-yielding company, these stocks have much more flexibility in case of unforeseen trouble.

Three of the best growth-oriented aristocrats you can hold for the next decade are **Enbridge Inc** (TSX:ENB)(NYSE:ENB), **CAE Inc** (TSX:CAE)(NYSE:CAE) and **Alimentation Couche-Tard** (TSX:ATD.B).

Enbridge

Enbridge has been one of the top performers and going forward looks to continue to be one of the top growth stocks to buy today and feel confident in.

Its business is highly stable, which is very important in these market and economic conditions and its plan for the near-term continues to show that Enbridge is making prudent investment decisions.

In its 2020 guidance released last week, Enbridge stated it expects to generate roughly $13.7 billion in earnings before interest, taxes, depreciation and amortization (EBITDA) and between $4.50 to $4.80 per share in distributable cash flow.

These are largely in line with the growth rate it has stated it expects to achieve, and Enbridge remains on track to continue its strong and stable growth.

Compared to the other two stocks on this list, its growth potential is a little less, which means it naturally pays out more in its dividend, which it just announced another 10% increase to last week, effective in March 2020, which at today's prices would yield roughly 6.3% and have a payout ratio of roughly 70%.

CAE Inc

CAE is another stock that hasn't had exponential growth, but it's had strong and consistent growth that investors can count on to be a major part of their portfolio.

It provides training to government and corporate clients in three important industries: aviation, health care and defence, which make its business crucial providing a margin of safety for investors.

At the moment the dividend only yields roughly 1.3%, but you can count on the company to post incredible growth numbers, which will increase the dividend alongside it.

It currently pays out roughly 35% of its earnings, so it's retaining the majority of its profits to invest and further expand its global presence.

Since 2015, the dividend has already been increased by more than 50%, so it's obvious that the company has been able to generate great returns and translate that to the distributions it's paying out.

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Alimentation Couche-Tard

Alimentation Couche-Tard is more similar to CAE in that it only pays a small portion of its earnings but has been investing in its business and posting impressive growth numbers.

In addition to the major acquisitions that have been the main driver for the company in the past, it's also shifted its focus to now work on growing its operations organically. It's been consolidating its brands to increase customer loyalty, which management believes will translate well into additional organic growth.

Given its growth potential and that it operates in a highly defensive industry, the company's trading is quite undervalued.

Its price-to-earnings ratio of 17 times isn't all that much for a top operator selling consumer staples ahead of a potential recession.

Furthermore, when you look at it from an enterprise value to EBITDA ratio, it trades at just under 12 times, which is pretty low for a company with Couche-Tard's potential.

Both metrics trade below their five-year average, and given that Couche-Tard's growth is only heating up and getting stronger, it could present a great buying opportunity for long-term investors.

Bottom line

Sometimes it's better to rely on the company's natural ability to grow rather than seeking larger dividends and then having to go find something to do with the funds yourself.

If a company is growing well enough, chances are your capital will be best off staying invested in them, which is why these high-growth aristocrats are perfect for the long term.

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2. NYSE:ENB (Enbridge Inc.)
3. TSX:CAE (CAE Inc.)
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