



## This Dividend Aristocrat Has Increased its Payout for 30 Years!

### Description

When **Toromont Industries** ([TSX:TIH](#)) announced its dividend payout of \$0.27 per common share payable on January 3, 2020, to shareholders on record as of December 9, 2019, it marked 30 years of consecutive dividend increases for the dealer of **Caterpillar** heavy equipment. The quarterly dividend was increased by 17% to \$0.27 and was approved by the board of directors.

Toromont Industries operates through two business segments, which are the Equipment Group and CIMCO. The Equipment Group includes the Caterpillar dealerships by revenue and geographic territory, spanning the Canadian provinces of Newfoundland & Labrador, Nova Scotia, New Brunswick, Prince Edward Island, Québec, Ontario, and Manitoba, in addition to most of the territory of Nunavut.

The Group includes industry-leading rental operations, a complementary material handling business, and an agricultural equipment business. CIMCO is a market leader in the design, engineering, fabrication, and installation of industrial and recreational refrigeration systems.

The company reported decent numbers for the third quarter of 2019 on the back of construction, mining, and material handling orders that were up in the quarter. Toromont reported revenues of \$975 million for the third quarter of 2019, an 8% increase from the same period in 2018. At \$79.7 million, net earnings were up 16% or \$11 million from the third quarter of 2018.

For the nine months ended September 2019, revenues were up \$123.6 million, or 5%, to \$2.4 billion year to date on higher product support, rentals, and used equipment sales.

Equipment Group Revenues were up \$81.4 million, or 10%, to \$881.5 million for the quarter with growth in most product groups. Bookings increased \$11.6 million or 4% in the quarter but were down \$60.5 million, or 5% year to date.

For CIMCO, revenues decreased \$6.2 million, or 6%, to \$93.7 million for the quarter. Bookings were up \$8.7 million or 34% in the quarter and \$1.4 million or 1% year to date. Canadian orders were strong in the quarter in both recreational and industrial markets, while U.S. orders were lower in both segments.

## Why Toromont is a good bet

Toromont has managed to beat earnings estimates in three of the last four quarters. Revenue and earnings have gone up from \$1.8 billion and \$145.67 million in 2015 to \$3.5 billion and \$251.98 million in 2018, respectively. From the looks of it, Toromont is on track to meet its 2018 numbers.

That says a great deal about the company's operational and capital efficiency considering this year has been slow for the mining industry. The diversification of the company's businesses and the fact that Toromont has been able to generate growth in a slow year bodes well as the company enters 2020.

The stock has gone from \$27.62 on Jan 1, 2015 to \$67.19 today. That's an increase of over 143%. When you add the dividend payouts to the stock price growth, you are sitting on some sweet returns.

Analysts tracking the stock have an average target price of \$73 for this stock in the next 12 months, which is around 8% higher than its current price.

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**Author**

araghunath

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