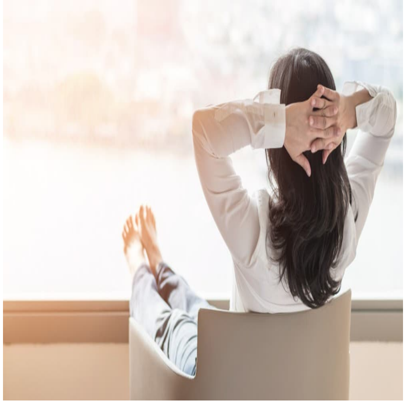

Canada’s Newest Dividend Aristocrats (Part 2)

Description

Yesterday, I introduced readers to the first set of new additions to Canada’s Dividend Aristocrat list. As a reminder, Aristocrats are companies that have raised dividends for at least five consecutive years.

Achieving Aristocrat status is an important feat and adds instant credibility in the eyes of dividend growth investors.

Furthermore, funds that track the **Index** will start to add these stocks to their portfolios which increases liquidity. Below you’ll find another subset of companies that will become Aristocrats in 2020.

What do they have in common? All three listed below are considered small-caps with market capitalizations below $1 billion.

A&W Revenue Royalties Income Fund

A leading player in the quick service restaurant industry, **A&W Revenue Royalties Income Fund** (TSX:AW.UN) has a very attractive starting yield of around 5%. As an income fund, the company’s primary focus is to distribute funds to shareholders.

A&W is the second-largest hamburger chain in Canada, with 970 restaurants nationwide. Over the past five years, it has managed mid-single digit same-store sales growth. Not surprisingly, it has averaged mid-single digit dividend growth over the course of its five-year streak.

The company pays out its dividend monthly, and in 2019, A&W raised its dividend twice: in May and August. This is not out of the ordinary, as in 2018, it raised the dividend three times.

As the company aims to pay out the majority of royalty income (minus expenses and taxes), investors can expect dividend growth to match its expected growth rates and be adjusted throughout the year.

Acadian Timber

Acadian Timber's (TSX:ADN) inclusion on the Aristocrat list is testament to its strong management team. The Lumber and Wood Production industry is significantly volatile and very cyclical in nature. As such, it's difficult for companies in this industry to maintain a long dividend growth streak.

Acadian will be only the second company in the industry to achieve Aristocrat status. The other is **Stella Jones** (TSX:SJ), which has an impressive 14-year dividend growth streak. Acadian Timber's dividend growth rate is a little volatile.

It has averaged 8% annual dividend growth over the past five years, yet the last raise was only 2.2%, which reflects a challenging macro environment. The company's ability to maintain its growth streak beyond next year is in question.

As of writing, it has a decent payout ratio of 56% based on trailing 12-month earnings. Unfortunately, earnings are expected to fall off a cliff, and the company's payout ratio is expected to balloon to 150% based on next year's (2020) earnings.

Stingray Digital Group

A leading music, media, and technology company, **Stingray Digital Group** (TSX:RAY.A) has over 400 million subscribers in 156 countries. As one of the smaller companies on the list, it's also one of the most volatile.

In 2019, the stock was essentially flat despite posting strong growth numbers. Analysts expect growth to continue and estimate the company will grow earnings by an average of 22% annually over the next five years.

As of writing, it's trading at a cheap 7 times forward earnings with a tiny PE to growth (PEG) ratio of 0.38.

The dividend has more than doubled over the past five years, and Stingray last raised dividends by 7.69% this past August. It has a respectable payout ratio in the low 30s based on next year's estimates and as such, the company is well positioned to extend its streak well into the future.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ADN (Acadian Timber Corp.)
2. TSX:AW.UN (A&W Revenue Royalties Income Fund)
3. TSX:RAY.A (Stingray Group Inc.)

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