



Canada's Newest Dividend Aristocrats (Part 4)

Description

It has been a strong year for dividend growth. Only once before have there been as many new additions to the Aristocrat list in a single year. Today, we take a closer look at a couple of insurance companies and high-flying manufacturing stock that has fallen on hard times.

As a reminder, Aristocrats are companies that have raised dividends for at least five consecutive years. Achieving Aristocrat status is an important feat, and it adds instant credibility in the eyes of dividend-growth investors.

Great-West Life

When the financial crisis hit, many of Canada's most reliable dividend payers suspended dividend growth. This was particular true in the financial sector. **Great-West Lifeco** ([TSX:GWO](#)) was one such company, and the insurer has finally made its way back to Aristocrat status. It is worth pointing out that despite snapping a 15-year dividend-growth streak, Great-West Lifeco never cut its dividend.

Did you know, Great-West Lifeco was majority owned by fellow Aristocrat newcomer **Power Corp Financial**? It is therefore not surprising that both have a similar dividend-growth streak. Over the past five years, Great-West has raised dividends by approximately 6% annually. The company last raised dividends by 6.17% this past March.

Over the next five years, investors should expect much of the same. Analysts expect the company to grow earnings by approximately 7% annually. As such, dividend growth in line with the recent five-year average is to be expected.

Sun Life Financial

Another victim of the financial crisis, **Sun Life Financial** ([TSX:SLF](#))([NYSE:SLF](#)) is also rejoining the Aristocrat list. Sun Life had a modest eight-year dividend-growth streak before it kept the dividend stable between 2009 and 2014. Much like Great-West, however, the company did not slash the

dividend. Sun Life kept the dividend steady, as it learnt how to better navigate a low interest rate environment.

Sun Life's historical growth rate has been a little higher than its peers (8.1%), but this does not appear to be the norm moving forward. The last raise was a mere 5%, which may signal a new dividend-growth pattern in the mid-single digits.

Once again, analysts expect the company to grow earnings by 7% annually over the next five years. Considering this, mid-single-digit growth is likely to continue over this period. Like its peers, Sun Life has a reasonable payout ratio but if interest rates contract again, it may lead to another period of stagnation.

NFI Group

Formerly known as New Flyer Industries, **NFI Group** ([TSX:NFI](#)) was a TSX darling. It is a leading manufacturer of energy efficient motor coaches and buses, ideally situated to take advantage of increased demand. Investors enjoyed significant capital gains until issues derailed the stock in a big way in 2019. Supply chain and operational issues led to a 22% decline in the company's stock price this past year.

On the bright side, the company announced that it has resolved these issues, and that over the next couple of quarters, the pace of deliveries will pick up. In the midst of these short-term headwinds, the firm has quietly emerged as a strong dividend-growth company.

NFI Group currently yields an attractive 6.33%, close to a record high. Over the course of its five-year dividend-growth streak, it has raised dividends by approximately 20% annually. This is one of the highest rates among all newcomers.

The company has a reasonable payout ratio in the mid-50s, and analysts expect earnings growth above 25% annually over the next five years. Given this, NFI Group remains a top growth stock and is also one of the more attractive dividend-growth companies on the TSX Index.

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2. Investing

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1. Editor's Choice

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1. TSX:GWO (Great-West Lifeco Inc.)
2. TSX:NFI (NFI Group)
3. TSX:SLF (Sun Life Financial Inc.)

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