2 Top Canadian Dividend-Growth Stocks to Buy in February and Beat the Market in 2020

Description

Last year was a great year for many Canadian stocks with the TSX hitting a record high of over 17,180 points. Even after softening during the final days of 2019, the **S&P/TSX Composite Index** finished the year up by an impressive 19%.

Some Canadian stocks, even in the beaten-down energy patch, delivered even greater returns for investors, outperforming the broader market. This has sparked considerable speculation as to which stocks will consistently deliver value during 2020. Here are two stocks that possess solid growth prospects and that will perform strongly in 2020 and beat the market.

Leading retailer

One Canadian stock that has a long history of delivering value for investors is **Dollarama** (TSX:DOL). During 2019, it gained 40%, or more than double the performance of the TSX. Its recent expansion into Latin America by commencing the US$93 million purchase of a 50.1% interest in Dollarcity will give Dollarama broad exposure to the region and the fast-growing economy of Colombia, where Dollarcity has 104 stores.

The thrift store retailer is still experiencing rapid growth in Canada, reporting the opening of 21 stores for the third quarter 2019 and a 5.3% year-over-year increase in same-store comparable sales. That saw Dollarama's net earnings per share grow by 10% year over year to $0.44.

The company is primed for further strong growth in 2020, even if the economy slows. Thrift stores are typically relatively immune to economic downturns, because as the economy softens, consumers become more budget conscious, making them popular locations for shoppers.

Patient investors will be rewarded by Dollarama's regular and sustainable dividend, which it has hiked for the last nine years to be yielding 0.4%.

Dollarama has delivered substantial value for investors. A $1,000 investment 10 years ago would now be worth around $13,596, if all dividends were reinvested, which is a compound annual growth rate (CAGR) of almost 30%. While past performance is no guarantee of future gains, there are signs that Dollarama will deliver further considerable value.

North American fuel distributor

North American fuel and petroleum products distributor **Parkland Fuel** (TSX:PKI) has grown at a rapid clip, expanding its operations through a series of transformative and accretive acquisitions since 2014.

During 2019, it outperformed the S&P/TSX Composite, rallying by a notable 35%. This came on the back of strong earnings growth, which saw Parkland revise its forecast full year EBITDA upwards during the year. By the end of the third quarter, the company increased its EBITDA forecast by $75 million, compared to an earlier estimate, to $1.24 billion.

The key driver of Parkland's solid third quarter and ability to boost its earnings forecast was its 2018 acquisition of Sol Investments, which is the largest independently owned fuel distributor in the Caribbean.

There is every indication that Parkland will experience further solid earnings growth during 2020. It is in the process of bedding down earlier acquisitions, which will unlock additional synergies, giving earnings a further boost. Parkland is also completing additional deals, including buying Kellerstrass Oil in Salt Lake City and Montana-based Mort Distributing, which will expand its U.S. distribution network.

Parkland's considerable exposure to the U.S. economy will also bolster its earnings because of its higher rate of economic growth than Canada and the greater demand for fuels with it being the largest consumer of fuels.

The latest upward revision to Parkland's EBITDA not only indicates that its regular dividend payment is sustainable but that another hike is on the way. In fact, the company has increased its dividend for the last seven years to yield a sustainable 2.5%.

The company has delivered significant value over the last decade. A $1,000 investment 10 years ago would now be worth $6,676 if all dividends had been reinvested, which equates to an impressive CAGR of 21%.

Foolish takeaway

Dollarama and Parkland will deliver solid value for shareholders during 2020 as growing sales give earnings a healthy lift. That will not only see them beat the broader TSX, but also allow them to reward investors with further dividend hikes, making now the time to buy.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:DOL (Dollarama Inc.)
2. TSX:PKI (Parkland Fuel Corporation)

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