# 3 Dividend Stocks That Will BOOM in 2020

### Description

The economic shutdown is unprecedented. We've effectively paused the income of millions of businesses and contractors across the country. However, expenses haven't been paused. This means some dividend stocks may have to cut their payouts to service expenses. Interest payments and property maintenance are arguably more critical than shareholder rewards.



I believe companies with hefty debt burdens and slim margins may be the first to cut dividends. However, some dividend stocks could sail through this crisis while sustaining their payouts — especially businesses deemed "essential" during this lockdown.

Here are three robust dividend stocks I believe income-seeking investors need to have on their radars for 2020.

## Dollarama

**Dollarama's** (TSX:DOL) stores have been deemed essential services in Ontario and Quebec. Meanwhile, panic buying during February and March could have pushed the company's top line beyond its historical average. In other words, Dollarama is raking in cash, while the rest of the economy is suspended.

The company has declared higher salaries for store staff. While this could increase costs, the move is commendable and indicates good governance. Grocery store employees are on the front lines of this unfortunate battle. Better incentives should help Dollarama keep more stores open and service critical community needs for the next few months.

Dollarama stock has lost just 8.7% of its value since late January. The dividend yield is negligible at just 0.41%. However, the company's low payout ratio (9.89%) and low debt make this dividend one of the sturdiest on the market.

That makes it the ideal dividend stock for 2020.

## Saputo

Family-owned **Saputo** (TSX:SAP) is another critical enterprise. Demand for dairy products at retail stores has spiked amid the pandemic. The company's chief operating officer recently told *BNN Bloomberg* that retail customers were stockpiling cheese and dairy products. This should expand the company's revenue in 2020.

However, the stock has collapsed 16% since late February. That's pushed the dividend yield to 2%. Meanwhile, the company's dividend-payout ratio was just 43.2% last year, which means it has ample capacity to sustain shareholder rewards in 2020.

Long-term debt is worth 72.7% of equity. In other words, this dividend stock doesn't face a liquidity issue. In fact, with interest rates on corporate borrowing sliding, Saputo could borrow more cash to expand operations this year. The acquisition-driven growth strategy works well in a recession.

Efficient cash allocation and good governance have helped this firm deliver 20 consecutive years of expanding payouts. Long-term shareholders should watch this robust dividend stock closely.

## Fortis



Utility giant **Fortis** has always been my favourite dividend stock. Even as the economy shuts down and families isolate themselves at home, the electricity supplier shouldn't face any issues.

The stock has retained its value remarkably well during this downturn. It's down a mere 5.4% from its all-time high in early March. Meanwhile, the dividend yield is 3.45% — far higher than the interest rate on savings accounts and government treasuries.

Fortis's 48.35% dividend payout ratio puts it in a great position to sustain or even expand dividends in 2020. I'd consider adding this dividend stock to my portfolio if the price drops further. For now, it's far from a bargain.

**CATEGORY**

1. Dividend Stocks
2. Investing

**TICKERS GLOBAL**

1. TSX:DOL (Dollarama Inc.)
2. TSX:SAP (Saputo Inc.)

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