6 Consumer Discretionary Stocks That Raised the Dividend in Q1

Description

The dividend growth strategy is growing in popularity as record-low interest rates make bonds and GICs much less attractive. One of the best places to start is the Canadian Dividend Aristocrat list. These are companies which have raised the dividend for at least five consecutive years.

Several retail investors adopt a dividend growth strategy as a means of building strong and sustainable income. Many also depend on dividend companies in retirement and industrial stocks have some of the longest dividend growth streaks in the county.

Last week, we took a look at the many companies that either cut or suspended the dividend. Thanks to recency bias, investors may not realize that the first quarter was also a strong one for dividend growth investors.

In the first quarter, 40 Canadian Dividend Aristocrats raised the dividend. Thus far, we have looked at telecoms, energy, financial and industrial stocks. Today, we look at consumer discretionary stocks which raised the dividend in the first quarter.

	Old	New	Percentage	Date
Exco Technologies Ltd (TSX:XTC)	$ 0.09	$ 0.095	5.56%	03/15/2020
Restaurant Brands International (TSX:QSR)(NYSE:QSR)	$ 0.50	$ 0.52	4.00%	03/15/2020
CCL Industries (TSX:CCL.B)	$ 0.17	$ 0.18	5.88%	03/15/2020
Magna International (TSX:MG)(NYSE:MGA)	$ 0.365	$ 0.40	9.59%	03/08/2020
Thomson Reuters (TSX:TRI)(NYSE:TRI)	$ 0.36	$ 0.38	5.56%	03/08/2020
Transcontinental (TSX:TCL.A)	$ 0.22	$ 0.225	2.27%	03/25/2020

A leading quick-service restaurant

Despite some of its challenges, Tim Hortons remains one of the best brands in Canada. Add in U.S. stalwarts like Burger King and Popeyes and

Restaurant Brands International has one of the strongest moats in the industry.

Restaurant Brands is one of the newest additions to the Dividend Aristocrat list. Thanks to the 4.00% raise in mid-March, it now owns a six-year dividend growth streak. Although the raise was much lower than the double-digit historical average, it was likely made in an abundance of caution.

While the quick-service restaurant industry is operating at reduced capacity, it should be in a position for a strong rebound.

Auto parts manufacturers

The auto parts industry is highly cyclical and is tied to the auto industry. Surprisingly, there are two in the industry that have proven to be quite reliable income stocks: Magna International and Exco Technologies.

Magna is quite simply one of the best-in-class auto part companies. It has considerable scale with manufacturing facilities worldwide, which is why Magna was one of the industry’s least impacted during the pandemic.

This Dividend Aristocrat owns an 11-year dividend growth streak thanks to March’s 9.59% raise. The raise is inline with historical averages and appears safe. Heading into the pandemic, the dividend accounted for just 39% of earnings.

You might be surprised to know that Exco Technologies owns the longest dividend growth streak in the industry. The 5.56% raise extends the streak to 15-years, which is tied for the 24th longest dividend growth streak in Canada.

The company typically raises in the mid-to-high single digits. Like Magna, it was well positioned going into the pandemic with a 48% payout ratio. The company expects to remain cash flow positive in the second half, and maintaining the dividend is a top priority.

A top dividend growth stock

At 27 years and counting, Thomson Reuters has the fifth-longest dividend growth streak in Canada. Since the company is dual-listed, it also qualifies as a U.S. Dividend Aristocrat — one of only three companies to qualify on both sides of the border. Despite its status as a long-term dividend grower, the company may not register on many income screens.

This consumer cyclical has a low starting yield (2.24%) and the company’s low dividend growth rate isn’t enough to make up the difference. Thomson Reuters 10-year, 2.5% annual average is the lowest among all Aristocrats with streaks of at least 10 years.

Are these Dividend Aristocrats a buy today?

Consumer discretionary stocks are among the most impacted by the current economic hardship. At the peak of the crash, the **S&P/TSX Consumer Discretionary Index l**ost more than 45% of its value. They are likely to continue underperforming if the economy takes longer to rebound.

That said, Restaurant Brands International appears to be best positioned for a strong rebound. Magna and Exco are still dependent on the auto industry, and may take some time to recover.

As for Thomson Reuters, it was dealing with low single-digit growth pre-pandemic. Don't expect much to change moving forward.

CATEGORY

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TICKERS GLOBAL

1. NASDAQ:TRI (Thomson Reuters)
2. NYSE:MGA (Magna International Inc.)
3. NYSE:QSR (Restaurant Brands International Inc.)
4. TSX:CCL.B (CCL Industries)
5. TSX:MG (Magna International Inc.)
6. TSX:QSR (Restaurant Brands International Inc.)
7. TSX:TCL.A (Transcontinental Inc.)
8. TSX:TRI (Thomson Reuters)
9. TSX:XTC (Exco Technologies Limited)

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mlitalien