



Passive Income: Top 3 Future Dividend Stars to Watch

Description

If you're looking for passive income right away, there's plenty of dividend stocks with lucrative yields on the market. However, if you're looking for a company that's being conservative with its cash now so that it can grow much larger in the future and provide higher dividends, here's a list.

GFL

Waste management is one of those timeless and robust industries that are built for lucrative dividends. The recently listed **GFL Environmental** ([TSX:GFL](#)) is a perfect example.

The company signs long-term contracts to collect and dispose of waste in specific areas of the country. Towns, cities, and municipalities are locked into these contracts, since there can only be one operator per region. The business is a natural monopoly and the largest player can usually expect reliable cash flows.

GFL's cash flows and income far outweigh the company's dividend payouts. The company's forward dividend payout is expected to be \$12.5 million. Meanwhile, gross profit and operating cash flow were \$310 million and \$180 million, respectively, over the past year.

In other words, GFL is holding back most of its cash to acquire more companies and consolidate the market. Once the market is consolidated, I expect the dividends to be far higher than today. It's a future passive-income star.

Alimentation Couche-Tard

Another hyper-growth company with conservative payouts is convenience store giant **Alimentation Couche-Tard** (TSX:ATD.B)(TSX:ATD.A). The stock's dividend-payout ratio is a mere 9.15%. This means it's holding back over 90% of its annual earnings.

Just like GFL, Couche-Tard is trying to expand by acquiring smaller firms. However, Couche-Tard's expansion is far more global. This year the company nearly purchased Australia's Caltex for \$7.2 billion. It dropped the plan after the coronavirus pandemic erupted, but it indicates the company's

massive ambitions.

ATD's stock has surged 2,000% since 2009. If it can sustain this pace of expansion for the next 10 years, it could be one of the best growth and income stocks on the market. That's precisely why I [invested a hefty chunk of my Tax-Free Savings Account](#) into it.

Onex

Another future passive income stock I bought during the crisis was **Onex** ([TSX:ONEX](#)). Onex's portfolio, which includes several small businesses and Canada's second-largest airline, has been bludgeoned this year. The lockdown and travel restrictions have been bleeding the businesses of profitability.

Onex certainly faces a tough road ahead. However, the company's management team is one of the best in the industry. The firm also has enough cash on hand (\$1 billion) to survive this crisis and perhaps invest in some distressed assets along the way.

It could take years, but when the crisis is over, Onex's portfolio should start generating immense cash flows. That would allow the company to boost its dividend. Effectively, Onex stock is a bet on an eventual recovery for Canada's economy.

Future passive income

Company's with plenty of cash and low payout ratios have the ability to boost dividends at the flick of a switch. If you're looking for undervalued passive-income opportunities that could deliver immense dividends in the future, consider the three stocks I've mentioned above.

CATEGORY

1. Investing

TICKERS GLOBAL

1. TSX:ATD (Alimentation Couche-Tard Inc.)
2. TSX:GFL (GFL Environmental)
3. TSX:ONEX (Onex Corporation)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
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Date

2025/08/23

Date Created

2020/07/24

Author

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