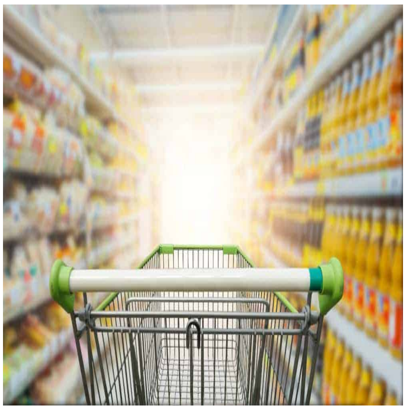

Dividend Hunters: Grab a 4.3% Yield With This Little-Known Grocery Stock

Description

Are you looking for a 4.3%-yielding stock that has a low payout ratio, decent growth potential, and some dividend growth to boot?

If so, you're in luck.

There is one little known Canadian grocery store chain that has all of these characteristics and more. Most people don't know the company's name, but many will be familiar with the stores it owns. In this article, I will explore this relatively small grocery stock and how it could add some much-needed income to your portfolio.

North West Company

North West Company (TSX:NWC) is a Canadian grocery store and discount retail company that owns the following chains:

- Cost U Less
- NorthMart
- Giant Tiger
- Riteway
- Northern

NWC's stores operate both in Canada and internationally. Its Giant Tiger chain is well known in Canada, while Cost U Less operates in foreign countries.

North West is a pretty successful company. In its most recent quarter, it delivered the following results:

- $553,000 in sales, basically unchanged.
- 0.9% growth in same-store food sales.
- $39,155 in net earnings, up 9%.

These were pretty decent results, all things considered. Sales didn't grow much, but earnings did. And, more importantly, there are reasons to think that NorthWest will do well going forward. It's not only a grocery store operator, but also a discount retailer known for low prices. There are two things we can glean from this:

- Its stores will be able to remain open in the event of any further COVID restrictions.
- It will enjoy continued business, even in the event of a recession, as discount retailers (stores that sell cheap goods) tend to thrive when times are tough.

So, North West looks like a pretty stable business. The question is, is its dividend yield safe?

Is the yield safe?

When we look at North West's dividend, it becomes apparent that it's pretty safe. There are some important facts to note:

- $1.46 per share in dividends were paid in 2021.
- That's approximately $0.365 per quarter.
- The most recent quarter's earnings were $0.81.
- Therefore, the payout ratio is about 45%.

That's fairly low — low enough that North West could keep paying its dividend forever with earnings unchanged. On top of that, the company's earnings are growing — at 9% going by net income, or 14% going by EPS. So, we've got a company here with a high yield and a high chance of maintaining or even growing its dividend.

Foolish takeaway

Grocery stores aren't the most exciting companies around, but they are pretty stable and reliable. They run essential services, which ensures that they stay in business for a long, long time. North West is far from Canada's biggest grocery chain, but it's growing. And its stock pays a nice dividend that should be safe for the foreseeable future. For income-hungry Canadian investors, this stock is very much worth looking at.

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