2 Dividend-Growth Stocks With Double-Digit Growth Rates

Description

Inflation is so high right now that most dividend stocks offer *negative real returns.* In 2022, if your portfolio generates 3% in income, and inflation is 7.6%, you have lost 4.6% of your purchasing power.

This is why investors need to focus on stocks that offer high dividend yields and robust dividend growth. That's the only way to preserve purchasing power in this environment. Here are the top two stocks with double-digit growth rates.

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Dividend-growth stock #1

goeasy (TSX:GSY) isn't an obvious choice in this environment. The stock has taken a beating this year as interest rates continue to rise. The move could impact the company's core business, which revolves around subprime loans.

While the company operates two distinct businesses, its core business revolves around providing high-interest loans to subprime borrowers. In addition, it also offers furniture and other home goods on a rent-to-own model. The diversified nature of the business has allowed the company to grow record revenues over the past few years.

The company has seen stellar demand for its offerings, especially in the subprime sector, leading to double-digit growth in revenue and earnings. In addition, the company has experienced massive growth, resulting in an earnings-per-share growth rate of about 29%.

goeasy is a solid play for passive income, as it has increased dividends in the last eight years. Its dividend has grown at a compound annual growth rate of 34.5%, leading to a high dividend yield of 3.25%. Consequently, it is an ideal play for any investor looking to outpace inflation.

The stock is down 30% year to date and by about 40% from its 52-week high. It's now trading at a price-to-earnings multiple of 13, which is at a three-year low. Put simply, the bad news about higher interest rates and growing defaults may be priced in already. Keep an eye on this opportunity.

Dividend-growth stock #2

The utilities sector is a comparatively safer pool for dividend investors. **Algonquin Power & Utilities** (TSX:AQN)(NYSE:AQNA) is an excellent dividend-growth stock in this space.

Over the years, Algonquin Power & Utilities has registered robust growth in its core utility and renewable energy divisions. The recent quarter reflects the company's ability to withstand inflationary pressures.

Revenue in the quarter was up 18% from a year ago to $624.3 million, as adjusted earnings increased 19.6% to $109.7 million. Adjusted funds from operations increased 12% to $180.3 million.

The stellar financial results underscore why Algonquin Power & Utilities is a safe bet for worry-free passive income. The company boasts of an impressive dividend-growth history of 12 years supported by a solid business capable of generating significant free cash flows.

Algonquin Power & Utilities pays an impressive 5.12% dividend yield, allowing investors to generate some passive income.

Management has already confirmed plans to increase dividend payout backed by growing net income. Earnings are expected to grow at a compound annual growth rate of 7-9%. Meanwhile, revenue has expanded at an annual rate of 21.5% over the past five years.

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Algonquin Power & Utilities stock is trading at a discount with a price-to-earnings multiple of 16 compared to an average of 30 for the utility sector. That makes it an ideal target for dividend-growth investors.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NYSE:AQNA (Algonquin Power & Utilities)
2. TSX:AQN (Algonquin Power & Utilities Corp.)
3. TSX:GSY (goeasy Ltd.)

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