



Have an Extra \$2,000? Consider These 3 Stocks With Double-Digit Dividend-Growth Rates

Description

With the latest eligibility period for [CERB](#) beginning earlier this week, some investors may find themselves with an extra \$2,000. The [market has surged](#) since late March, and many stocks are now trading above their pre-pandemic levels. However, for investors with a long-term time horizon, these three dividend-growth stocks may be worth a second look. All of these companies have exceptional dividend track records, each growing dividends at over 10% annually for the past 10 years. Additionally, they all operate in sectors that will significantly benefit as the economy begins to re-open.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is a favourite dividend-growth stock among Canadian investors. Enbridge is relatively unique for a number of reasons. First, it has both a high starting yield and a high dividend-growth rate. The starting yield is over 7% and annual dividend growth has averaged over 10% for the past 25 years. This makes the dividend profile suitable for investors looking for current yield and those looking for dividend growth.

Additionally, Canada has had a notoriously difficult time building pipelines over the past decade. Enbridge owns one of the few existing pipelines that connects Canadian producers to their U.S. customers. The Enbridge Mainline has an annual capacity of approximately three million barrels per day. This makes it the biggest pipeline currently in service that connects Canada to the U.S. market.

Since building new pipelines is incredibly capital intensive and rife with political hurdles, Enbridge enjoys a relatively strong moat. This, combined with its dividend profile, makes it a unique dividend-growth stock that income investors and dividend-growth investors should consider.

Magna International

Magna International ([TSX:MG](#))([NYSE:MGA](#)) is a giant in the global automotive supply business and an incredible dividend-growth stock. The company has over 300 manufacturing sites, over 90 product

development sites, and over 150,000 employees. Magna is truly a global company, with significant operations in North America and Europe and a growing presence in Asia. The company counts the largest automakers in the world as its customers. It is important to note that Magna reports in U.S. dollars.

Magna has grown its quarterly dividend from US\$0.18 at the beginning of 2010 to US\$0.40 at the beginning of 2020. This represents a 122% increase in the dividend over the past decade. Furthermore, Magna has continued paying its dividend through the pandemic, with its latest dividend payment coming in May this year. Similarly, the company maintained its dividend through the 2007-2008 financial crisis.

Magna's global footprint, along with its stellar dividend track record, should give potential investors some comfort. However, the raw financials also indicate that the dividend is safe. The company currently pays out approximately US\$120 million per quarter in dividends. This compares to free cash flow of US\$436 million in the most recent quarter.

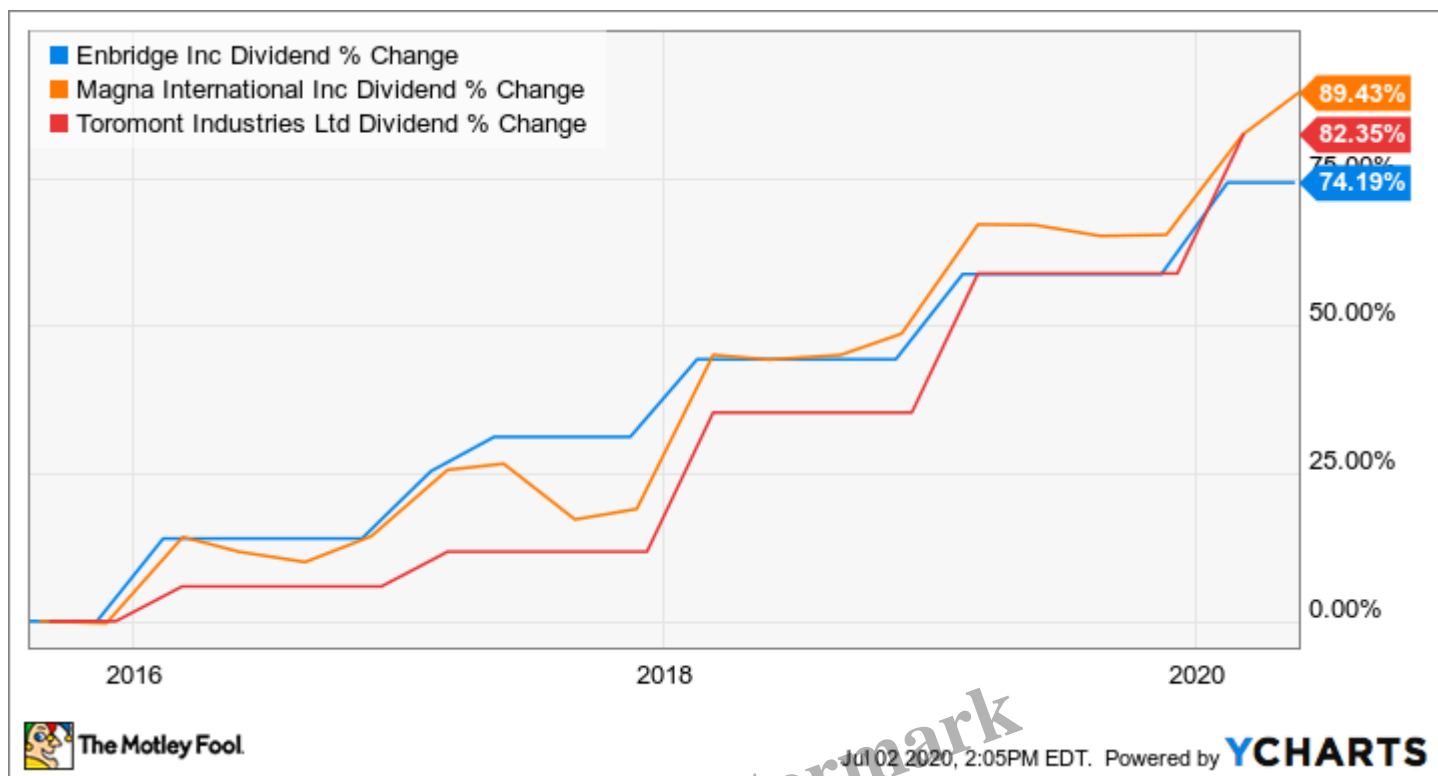
Toromont Industries

Toromont Industries ([TSX:TIH](#)) is a diversified industrial company operating primarily in North America, with some international exposure. The company has two primary divisions: the equipment division and CIMCO, the refrigeration division. Toromont is one of those companies that you likely have never heard of before due to Toromont not being a consumer-facing company. However, Toromont is an excellent dividend-growth stock, and the company's dividend track record speaks for itself.

Toromont has grown its quarterly dividend from \$0.0846 in 2010 to \$0.31 in 2020. This represents a 266% increase to the dividend in 10 years. Additionally, the company was able to maintain and grow its dividend through the 2007-2008 financial crisis. Similarly, the company made its most recent dividend payment at the end of April. This means that the company is still comfortable with the dividend level, even after the pandemic.

Toromont's free cash flow levels should also comfort dividend-growth investors. The company has generated just over \$88 million in free cash flow over the past 12 months. This compares to an annual dividend expense of just over \$25 million at current dividend levels.

Takeaway



Those with a long-term investment horizon should consider these three dividend-growth stocks. They provide a blend of safety and growth and should be able to continue to raise dividends, even in the face of uncertain market conditions.

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8. pipelines
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TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)

2. NYSE:MGA (Magna International Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:MG (Magna International Inc.)
5. TSX:TIH (Toromont Industries Ltd.)

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