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I Investir

Twelve dividend growth champions to put on your radar

SECTION ON MTY, METRO AND LOGISTEC

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Ian McLean, fondateur, Firme d'investissement indépendante McLean Capital

For Ian McLean, the dividend is not a criterion in itself for buying a stock, as he prefers quality companies that increase their intrinsic value over time by wisely reinvesting profits into their growth. "The dividend informs us about capital allocation. If a company has a surplus of capital, it may be appropriate to pay a dividend, but we ensure it is done for the right reasons in the long term." The actuary by training therefore evaluates the overall picture of a company, including the free cash flows generated and the debt on the balance sheet, then analyzes how it finances its growth.

Ian McLean does not appreciate, for example, when a company takes on too much debt to pay a dividend or buy back its shares, and even less when it repeatedly issues shares to grow, thereby eroding the equity of existing shareholders.

The private portfolio manager suggests three exemplary Quebec companies that meet his criteria for profitable growth and regularly increase their dividend.

The restaurant franchisor MTY Food Group (MTY, $72.03) is part of this trio. Although acquisitions remain the main driver of the company's growth and its appreciation on the stock market, MTY has increased its dividend at an average annual rate of 16% over ten years, although the banner franchisor (including Thaï Express and Madisons) suspended it in 2020 at the height of the pandemic. The dividend rose from $0.22 to $1 per share over these ten years. "I don't buy MTY for its dividend, but I agree that generally, a dividend can impose a certain financial discipline on companies that integrate it into their growth strategy," he nuances, noting that the dividend accounts for only 27% of the franchisor's profits.

Grocer and pharmacist Metro (MRU, $69.82) is also a good capital allocator in a stable industry. Dividends and share buybacks enhance the total return the company provides over time. Metro has increased its dividend by 14% per year on average over the past 10 years, compared to an 8% growth in earnings per share, he says. Despite this increase, the 31% share of profits that the grocer pays in dividends remains very reasonable.

The third pick appears less on investors' radar because the maritime services and environmental remediation provider Logistec (LGT.B, $42.11) has very few shares in free circulation.

No brokerage industry analyst covers it either. The company, led by Madeleine Paquin since 1996, has increased its dividend by 12% per year on average over the past ten years, at the same rate as its earnings. "The 11% share of profits paid in dividends has remained stable since 2012 and remains very prudent," notes the manager. The company, which operates 53 port facilities and 79 terminals in North America, has just achieved six consecutive quarters of record results.