

DIVIDEND GROWTH DRIVES PRICE GROWTH

Observe this little table. Notice how consistent the average annual yield has been on this common stock since 1998. The price of this stock fell a bit in 2000 and 2009 so the yield average was slightly higher in those two years. But other than that, the yield was pretty well between 3.1% and 3.5%. The dividend did not falter, though. The dividend even rose during the financial crisis. This stock is a non-financial from Connolly Report list. Does its name really matter?

Now, I maintain that dividend growth drives price growth. If the yield has not changed much over these 14 years, but the dividend has continued to grow, the price must have risen too. The dividend rose 350% from 28¢ in 1998 to \$1.26 now. The price (not shown in the table), rose 462% from a split-adjusted \$8 in 1998 to just over \$45 now. So, the price, currently, is a bit ahead of dividend growth. Would you sell? Not me. Our yield on cost of this stock is 15.8% ($\$1.26 / \8).

| Year | Yield | Dividend |
|------|-------|----------|
| 1998 | 3.4 | 0.28 |
| 1999 | 3.7 | 0.30 |
| 2000 | 3.9 | 0.32 |
| 2001 | 3.4 | 0.35 |
| 2002 | 3.4 | 0.38 |
| 2003 | 3.5 | 0.42 |
| 2004 | 3.5 | 0.46 |
| 2005 | 3.1 | 0.52 |
| 2006 | 3.2 | 0.58 |
| 2007 | 3.3 | 0.62 |
| 2008 | 3.2 | 0.66 |
| 2009 | 3.6 | 0.74 |
| 2010 | 3.3 | 0.85 |
| 2011 | 3.1 | 0.98 |
| 2012 | 3.3 | 1.14 |
| 2013 | | 1.26 |