



## 3 Top Dividend Growth Stocks From Canada's Energy Industry

### Description

"I want it all, I want it all, I want it all, and I want it now." — Queen

The lyrics from Queen's 1980s chart-topping tune summarizes everything about investors today: We want the stability and reliable income that dividend stocks provide combined with the market beating returns of those sexy growth companies.

Sound like a fantasy? Actually, it's not.

According to RBC Capital Markets Research, between December 1986 and October 2013, dividend-paying stocks that consistently raised their payouts returned 12.2% versus just 6.5% from the **S&P/TSX Composite Index**.

That remarkable outperformance means the difference between turning a \$100,000 portfolio into \$2 million versus just \$520,000.

And there's no better place to hunt for growing dividend payouts than Canada's oil patch. So with that idea in mind, here are the three top dividend growth stocks from the energy industry. Neither boasts a yield that will blow your socks off. But each has the potential to become a cash flow machine in your portfolio if given enough time.

### One income stock to buy now

**Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) hasn't missed a dividend payment in 60 years. Think about everything that has taken place during that time: the OPEC oil embargoes, asset bubbles, financial crises. Yet for over half a century Enbridge has continued to mail out dividend cheques to shareholders like clockwork.

However, Enbridge is more than just a steady-eddy cash machine. The company is an example of what decades of small distribution hikes can do for a stock's yield.

Over the past decade, Enbridge has increased its dividend at a 12% annual clip. If you had bought and

held the stock over that time, the yield on your original investment would be 11.5% today.

Enbridge is likely to sustain that dividend growth rate through the upcoming decade. Thanks to new technologies like horizontal drilling, steam assisted gravity drainage, and hydraulic fracturing, billions of barrels of previously unexploitable oil and gas are being pulled out of fields across the continent.

It will take a massive buildout of transportation infrastructure to accommodate this boom. This should fuel the company's earnings growth, and by extension, its dividend, through this period.

### **Earn a dividend cheque from North America's energy boom**

**Suncor** ([TSX:SU](#))([NYSE:SU](#)) has made one thing loud and clear: the company is committed to returning as much cash as it can to yield-hungry shareholders.

Since taking over at the company over two years ago, Suncor's new chief executive officer Steve Williams has pledged to direct a more careful expansion style. The focus today is on shareholder returns even if that means sacrificing bigger projects that could rapidly grow production.

By taking its foot off the growth pedal, Suncor has freed up an enormous amount of capital for shareholders. Since September 2011, the company has almost doubled the size of its dividend and repurchased \$3.8 billion in stock. And investors should expect that payout to grow in line with earnings and cash flows in the upcoming years.

### **The only dividend stock you'll ever need**

**Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) has one of the best production profiles in the large-cap North American energy sector. Thanks to rising production and the completion of the firm's Horizon oil-sands project, annual free cash flow is expected to grow fivefold to \$5.5 billion by 2018.

CNRL has been pushed to the investment backburner in recent years thanks to the heavily discounted price for Albertan bitumen. However, that gap could narrow next year thanks to the potential greenlight of the Keystone XL pipeline and increased rail capacity. If this story plays out, it could be a big bump to CNRL's top line and a hidden catalyst for the stock.

Shareholders can expect to see much of that excess cash flow returned to them in the form of dividends or share buybacks. Over the past five years the company has increased its payout at a 38% compounded annual rate. While the stock's current 2.2% yield won't turn many heads, investors can expect a much more impressive payout in the near future.

### **Foolish bottom line**

Not a single stock on this list offers a yield north of 3%. But all three of these companies are primed to deliver impressive dividend growth over the next decade or more. Over the long haul this will produce much better returns than chasing today's highest yielding stocks.

## **CATEGORY**

1. Investing

## **TICKERS GLOBAL**

1. NYSE:ENB (Enbridge Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:SU (Suncor Energy Inc.)

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