Dividend Investors: These 3 Energy Companies Are Still Gushing Dividends

Description

It's official. Oil's collapse from June 2014 to January 2016 was the largest decline in the commodity's history.

The price of crude oil fell from more than US$110 to a low of below US$30–a decline of approximately 75%–before recovering smartly from the lows. More recently, crude has struggled again, falling from highs of US$52 per barrel near the beginning of October to close at US$48.70 on Friday.

Most energy companies dealt with such a decline about as well as you'd expect. They struggled mightily. Most paid generous dividends before the rout. Very few survived with payouts intact. Most went into survival mode, hoarding cash like it was pirate's booty, worrying that the end was near.

A precious few actually maintained their dividends through the ordeal, having the balance sheet strength to continue paying investors. Many dividend lovers are now attracted to these names, which offer exposure to a long-term recovery in the sector as well as a dependable dividend.

If you're looking for a way to play energy's recovery while getting paid to be patient, check out these three companies.

Suncor

Suncor Energy Inc. (TSX:SU)(NYSE:SU) has been aggressively buying up assets on the cheap, taking advantage of companies looking to raise cash.

First it bought out Canadian Oil Sands for $4.2 billion, which gave it a majority stake in the Syncrude oil sands project. It then followed that up with paying $310 million for a 10% stake in the Fort Hills project, boosting its stake in the development to 50.8%. In total, Suncor has spent approximately $6 billion on acquisitions since the downturn began.

Suncor has also been cutting costs aggressively, decreasing operating costs in the oil sands from $37 per barrel to $25 per barrel. Production is also slated to increase by 33% between 2015 and 2019 as Fort Hills finally comes online in 2018. That's a good combination going forward.

And remember, Suncor has some of Canada's finest downstream assets, which are still delivering steady cash flow in today's weak environment. It owns four refineries, which deliver fuel to approximately 1,500 Petro-Canada gas stations. Its lubricant business is also Canada's largest.

Suncor currently pays a 2.8% dividend that looks rock solid–even if oil continues to be weak.

Altagas

Altagas Ltd. (TSX:ALA) is in the right part of the commodity sector. It supplies natural gas to more than 550,000 homes across five different areas. It also generates 1,688 MW of power annually and operates pipelines for the natural gas industry. Even though it's largely a commodity company, Altagas has very little exposure to fluctuating natural resource prices.

That's good news for the company's dividend, which currently stands at 6.3%. Management is forecasting a payout ratio of 57% of adjusted funds from operations for 2016, giving it ample capital to both pay investors and contribute to the capital expansion plan. In total, Altagas plans to spend up to $3 billion on projects that will increase EBITDA some 50% versus 2015.

Akita Drilling

Akita Drilling Ltd. (TSX:AKT.A) is a small-cap oil driller that isn't on many investors' radars. But it has a strong cash balance and it has a variable cost structure. This has enabled it to cut expenses to the bone.

A number of Akita's customers cancelled contracts earlier this year, happily paying the penalties to do so. These cancellations have left Akita in a position where it has $18.4 million in cash and $17.6 million in accounts receivable versus current liabilities of $6.2 million. This means investors should be able to count on the cash balance actually increasing in the next couple of quarters, even as Akita posts operating losses and pays dividends.

Eventually, Akita will be very busy again. We just have to wait until production picks up. In the meantime, investors are getting a 4.2% dividend that's backed up with cash in the bank and a debt-free balance sheet.

The bottom line

Not every energy company cut their dividend during the downturn. Suncor, Altagas, and Akita are actually positioned to continue paying, even if oil's weakness persists into 2017.

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