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Excellent Dividend Stocks That Won't Cause You to Lose Any Sleep

Description

Investing in dividend stocks is a great way to build a passive income stream, either to enhance retirement or increase the capacity to spend right now. However, that income stream isn't worth much if it has the potential of running dry when it's needed the most.

That's why investors need to make sure they own companies that pay sustainable dividends that can stand the test of time. Three excellent choices are **Suncor Energy Inc.** (TSX:SU)(NYSE:SU), **TransCanada Corporation** (TSX:TRP)(NYSE:TRP), and **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI). Here's why.

Fuel your portfolio with this oil stock

Leading Canadian oil sands producer Suncor Energy has an excellent history of returning cash to its investors. In fact, over the past five years, the company has increased its dividend by more than 150%. Those increases are starting to add up, enabling current investors to nab a compelling 2.6% yield, which is well above the market's average.

Suncor Energy should have no problem maintaining its payout even if oil prices remain low. Last year, for example, the company projected that it would generate roughly $6 billion in cash flow from operations, which was more than enough to cover its $1.9 billion dividend, $2.4 billion in sustaining capex, and $700 million in capitalized interest.

Meanwhile, operating cash flow should head higher in future years due to the upcoming completion of two major expansion projects as well as the likelihood that oil prices should continue heading higher. Needless to say, Suncor's payout should at least remain where it is, if not keep heading higher in the years ahead.

Your pipeline to a growing income stream

Canadian oil pipeline giant TransCanada has also done an exceptional job of increasing its dividend in the recent past. Since 2000, the company has grown its payout by a 7% compound annual growth rate. That steady growth has also added up over the years with TransCanada able to offer current investors a generous 3.6% yield.

While TransCanada has done a great job growing its dividend over the past several years, its best days appear to be in front of it. The company has an enormous project backlog totaling $25.4 billion that it expects to complete over the next few years. These projects should grow TransCanada's cash flow to support 8-10% annual dividend growth through 2020. That clearly visible income growth is hard to come by in the market these days.

Your cash flow connection

Telecom and media giant Rogers Communications offers the highest current yield in the group at 3.7%. Backing that payout is the recurring income the company earns as customers pay their wireless and cable bills or by tuning into its media properties. For 2016, Rogers expected to pull in nearly $1.7 billion of free cash flow — up 1-3% from the prior year. That is more than enough to cover the company's dividend, which amounts to less than $1 billion per year.

Free cash flow growth could be even higher in future years because Rogers is winding down capex spending after investing heavily in the recent past on investments in its network. That rising cash flow as well as an improving leverage ratio, gives Rogers ample ability to increase its dividend.

Investor takeaway

These three companies have one thing in common: each generates billions of dollars in free cash flow each year, which gives them the ability to send a substantial amount of money to investors via dividends. Given the overall stability of their businesses, that cash flow is not expected to dry up anytime soon. Because of that, investors won't lose a wink of sleep worrying about the sustainability of their dividend cheques.

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Date
2025/07/23
Date Created
2017/01/19
Author
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