3 Top Dividend-Paying Energy Stocks to Buy as Oil Prices Rally

Description

Oil prices hit highs not seen since 2014 last week. If that's encouraging you to buy energy stocks, you should go for Dividend Aristocrats.

You see, a Dividend Aristocrat is a company that has increased its dividends every year for at least five consecutive years. That might not sound like a long streak, but given how volatile the oil and gas business can be, it's commendable.

That means, now is an opportune time to consider buying top energy dividend stocks like **Enbridge Inc.** (TSX:ENB)(NYSE:ENB), **Suncor Energy Inc.** (TSX:SU)(NYSE:SU), and **AltaGas Ltd.** (TSX:ALA), especially while they're still trading cheap.

Enbridge stock: headed for growth

Enbridge is a top-class Dividend Aristocrat, having increased its dividends for 23 straight years now. And Enbridge's dividend growth is nothing to sneeze at; last year, the company raised its dividend by 15%. In the past two decades, Enbridge's dividends have grown at a compound annual rate of 11.7%.

Enbridge stock has lost almost 19% year to date, pushing its dividend yield to a hefty 6.6%.

Enbridge is in the middle of a major expansion program and has aggressive plans to lighten its huge debt burden, which has been a concern for investors lately. Enbridge is confident that these efforts and cash flows from new projects should help it grow operating cash flow and dividends per share at a compound rate of 10% each between 2018 and 2020.

With Enbridge now trading at under 10 times price to cash from operations, the stock looks like a steal now with its high dividend yield.

AltaGas stock: a bargain at today's price

AltaGas has increased its dividends every year since it started paying one in 2010. Since then, the energy infrastructure company has grown its dividends at a compound rate of 7.5%, thereby earning shareholders strong total returns over the years.

Shareholders have been worried about the impact that AltaGas's expensive impending acquisition of **WGL Holdings Inc.** (NYSE:WGL) may have, but the acquisition will be beneficial, too.

What's important is that AltaGas is committed to growing its dividends by 8-10% between 2019 and 2021, which means the WGL acquisition should be value accretive.

Right now, AltaGas is offering a whopping 8.9% dividend yield, thanks partly to its stock price dropping 18% in the past one year on fears of the acquisition. With AltaGas now trading at multi-year low price-to-cash-flow multiple of eight times and with oil prices recovering, the stock is getting really cheap.

Suncor Energy: the best energy stock to buy

Suncor Energy has increased its dividends for 16 consecutive years and boasts a solid dividend-growth history. Its dividends grew at an impressive compound rate of 20% between 2012 and 2017.

Suncor Energy delivered strong operational numbers in 2017, generating record quarterly funds from operations (FFO) of $3 billion in the fourth quarter.

For every US$1 rise in price per barrel of Brent crude oil, Suncor Energy projects its FFO to increase by $225 million. That means rising oil prices is great news for Suncor Energy shareholders, as the company aims to grow its dividends in line with sustainable funds flow increases.

Having just completed two major growth projects and lots of cash in its kitty to pare down debt, repurchase shares, and pay dividends, Suncor Energy is one of the best energy stocks to buy today, while it trades below 10 times price to cash from operations and yields 3% in dividends.

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