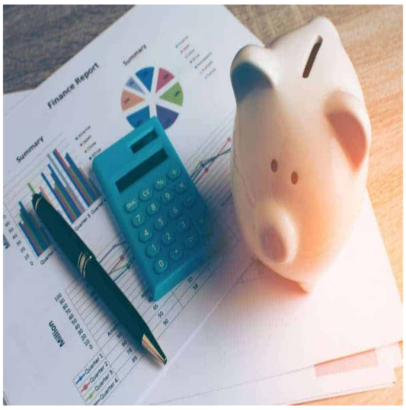

2 Dividend-Growth Stocks to Fuel Your TFSA Retirement Fund

Description

Canadian investors continue to search for top-quality companies that generate strong cash flow and are generous when it comes to sharing the profits with their shareholders.

Let’s take a look at two stocks in the energy sector that bumped up the payout in a big way this year.

Suncor Energy Inc. (TSX:SU)(NYSE:SU)

Suncor entered the oil rout with a boatload of cash on the balance sheet. That stability helped the company take advantage of the downturn and position itself for strong growth in the coming decades. Management made a number of acquisitions, including the takeover of Canadian Oil Sands, which gave Suncor a majority interest in Syncrude.

Suncor also had the flexibility to push through major organic projects, such as Fort Hills and Hebron, that began before the downturn. The crash resulted in nervous times for investors, who wondered if the huge developments should be pursued, but Suncor used the crisis as an opportunity to secure lower costs from suppliers and contractors and completed both projects last year, just as oil prices recovered.

Syncrude recently shut down due to a power failure, but Suncor says the facility should be back at full production in September. As a result of the outage, the company reduced the top end of the 2018 total production guidance, but it maintained the lower end of the range.

Suncor reported Q2 2018 funds from operations of $2.862 billion, or $1.75 per share, compared to $1.67 billion, or $0.98 per share, in the same period last year. Total upstream production was 6661,700 barrels per day compared to 539,100 in Q2 2017.

The company raised the dividend by 12.5% earlier this year, and investors should see steady growth continue. Suncor also has an aggressive share-buyback plan and has increased the amount it plans to spend under the current program from $2.15 billion to $3 billion.

At the time of writing, the stock provides a yield of 2.7%.

Canadian Natural Resources Ltd. (TSX:CNQ)(NYSE:CNQ)

CNRL is also a major player in the Canadian energy sector with assets that span the full product spectrum, including conventional oil, oil sands, natural gas and natural gas liquids. CNRL also owns North Sea and Offshore Africa production facilities.

The result is a long-life and low-decline asset mix that provides a balanced revenue stream amid shifting prices across the different products.

CNRL reported record Q1 2018 production of 1.1 billion barrels of oil equivalent per day (boe/d), representing a 10% increase over Q4 2017. Funds flow from operations came in at $2.32 billion, and the company generated $1.22 billion in free cash flow.

CNRL raised its quarterly dividend by 22% to $0.335 per share for 2018. That’s good for a yield of 2.85%. The company also plans to buy back up to 5% of the outstanding common shares through May 23, 2019.

The bottom line

Suncor and CNRL are generating significant cash flow, and that trend should continue as long as oil prices hold the gains achieved over the past year. Both companies have solid balance sheets and resources that can grow output for decades.

If you are searching for top dividend-growth stocks, these two companies deserve to be on your radar.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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