

2 Top Dividend Stocks to Own As Oil Approaches \$80

Description

As oil continues its ascent to levels last seen in the fall of 2014, investors young and old should consider [energy stocks](#).

Energy stocks have something for everyone: no matter what you are looking for, you can probably find it in this sector.

Here I will talk about two energy stocks that investors that who looking for a [healthy dividend](#) (and capital appreciation of course) should consider.

Freehold Royalties Ltd. ([TSX:FRU](#))

Freehold is trading at bargain prices these days.

While the price of oil has increased 40% in the last year, Freehold stock has declined 25%.

And while oil pricing in Canada is trading at a discount, they are still up big across the board.

So Freehold stock's performance baffles me because Freehold offers investors a relatively low risk way to play the energy space, with a 5.62% dividend yield, a well-diversified asset base, and a low risk business model with relatively predictable cash flows and a strong balance sheet.

Further, this company has a long history of value creation. A history that long-term shareholders have done very well with.

Over 21 years, more than \$30 per share has been paid out in dividends.

And with a payout ratio of only 55%, investors have enjoyed dividend increases in recent times, as the company's free cash flow generation has increased dramatically in accordance with the increase in oil prices.

Dividend payments bottomed in 2016 at \$0.54 per share, and have subsequently been rising — to \$0.58 in 2017 and, according to management's forecast, \$0.63 this year, for an 8.6% increase in the dividend this year and a 7.4% increase last year.

The company generates a free cash flow yield of approximately 10% at \$65 oil and is well positioned to continue to create real value for shareholders.

Canadian Natural Resources Inc. ([TSX:CNQ](#))([NYSE:CNQ](#))

With a 3.14% dividend yield, a stock price that has almost doubled from its 2016 lows, and a predictable and reliable stream of cash flow with little reserve replacement risk, Canadian Natural stock remains a top pick for energy exposure.

Strong cash flow, continued debt reduction, and an increasing dividend are what has characterized this company's results, and what makes it a top energy stock.

In fact, in the first six months of 2018, Canadian Natural has seen a 38% increase in funds from operations per share and free cash flow of approximately \$2.2 billion.

So in conclusion, with oil prices continuing to sustain its rally above \$50, \$60, and \$70, investors should really consider getting their skin in the game.

These two dividend stocks I have discussed in this article are two top dividend energy stocks to start building your energy weighting as we await a big energy rally.

CATEGORY

1. Dividend Stocks
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3. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:FRU (Freehold Royalties Ltd.)

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