

## 3 Top TSX Cash Cows You Should Be Buying Right Now

### Description

The saying “cash is king” exists for good reason.

It’s the cash from a company’s operations that gets paid, or returned, to shareholders in the form of dividends or share buybacks. It’s also cash that’s needed to retire a company’s outstanding financial obligations. Ideally, it’s also cash that’s used to finance capital expenditures and acquisitions that the company hopes will be accretive to earnings in future periods.

If a company is unable to sustain its operational objectives through its own cash flows, it’s forced to rely on the debt and equity markets to make up the deficit. That can ultimately lead to the dilution of the firm’s existing shareholders and, in extreme cases, insolvency.

The last 10 years have been a bit of anomaly for investors compared to the rest of financial history in that we are only now beginning to exit a period of historically low interest rates.

Because interest rates have been depressed for most of the past decade at, some would argue, artificially low levels, many companies have taken advantage — to their own credit, frankly speaking — knocking on the credit window time and again, asking for another round of “cheap money.”

And that reality has helped investors to forget perhaps how markets actually work.

Companies that can’t sustain themselves organically are perennially at a disadvantage to those that can.

If we are indeed embarking on a fresh, new era of returning to “normalized” interest rates, one can expect that cash once again, will ascend to the throne. These three TSX companies stand to benefit handsomely if that forecast ends up proving accurate.

**Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) generated in excess of \$2 billion in free cash flow during 2017. Most of that cash was returned to shareholders via dividends.

Suncor currently yields investors 3.25% annually following a 12.5% dividend increase announced almost exactly a year ago.

Suncor’s management and board of directors have a solid reputation as stewards of capital, which — along with significant assets in the oil sands — should set the company’s shareholders up for a string of consecutive dividend hikes for years to come if all goes right.

**Canadian Imperial Bank of Commerce** ([TSX:CM](#))([NYSE:CM](#)) is the smallest of the Big Five banks, but CIBC’s stock has far from the smallest dividend.

CIBC ranks second only to [Scotiabank](#) in terms of its annual dividend yield, paying out 4.84% compared to Scotiabank's 4.89% yield.

Yet it's the firm's above-average returns on equity combined with its dividend-payout ratio, below 50%, that give me more confidence in its ability to sustain and grow its payout over time.

**CI Financial** ([TSX:CIX](#)) yielded a free cash flow yield in excess of 12% heading into Tuesday's trading, meaning the company could sustainably afford to pay a 12% dividend yield off current earnings if it wanted to.

Yet the firm recently cut its payout in a move that may have come as a bit of a shock to some investors.

Instead of maintaining the payout at prior levels, the board of directors decided to cut the dividend in half to free up more cash to buy back its own stock.

CI feels that at current levels its own stock represents a [better use of cash](#).

Either way, the company is still returning cash to shareholders, which should not only help to bid the share price of CIX stock up in the near term, but additionally retire outstanding shares that will lower its dividend obligations for the foreseeable future.

## CATEGORY

1. Bank Stocks
2. Dividend Stocks
3. Energy Stocks
4. Investing

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1. NYSE:CM (Canadian Imperial Bank of Commerce)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CIX (CI Financial)
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