3 Amazing Cash Cow Stocks in the TSX Index

Description

Hi there, Fools. I'm back once again to highlight three companies on the TSX Index that generate boatloads of cash flow. As a quick refresher, I do this for conservative investors because cash flow is used for several value-enhancing actions, like

- delivering stable and growing dividends;
- repurchasing shares at opportune times; and
- growing the business without having to take on too much debt.

Unlike traditional accounting earnings, which can be largely massaged by management, cash flow represents the actual dough coming into the company's coffers.

Without further ado, let's get to this week's cash cows.

Wireless wonder

Leading things off is **Telus** (TSX:T)(NYSE:TU), which has generated $4.1 billion in operating cash flow over the past 12 months. Year to date, shares of the telecom giant are down 3% versus a loss of 1% for the **S&P/TSX Capped Telecommunication Services Index**.

2018 hasn't been great for the stock, but Telus seems to be heading into 2019 on a positive note. In its Q3 results last week, operating revenue grew 11% to $3.77 billion. More importantly, the company added 145,000 net wireless subscribers during the quarter — its best wireless subscriber growth since 2010.

Thanks to that strength, management increased the quarterly dividend to $0.545 per share — the 16th boost since 2011. Currently, it yields a scrumptious 4.8%.

Economic utility

Next up, we have **Canadian Utilities** (TSX:CU), which has produced $822 million in trailing 12-month operating cash flow. Shares of the diversified utility are down 16% year to date, while the **S&P/TSX Capped Utilities Index** is off 9% over the same time frame.

While the stock's 2018 performance hasn't been stellar, there's good reason for long-term investors to remain bullish. After all, Canadian Utilities has increased its dividend for 46 straight years — the longest such streak of any publicly traded Canadian company. Moreover, the "regulated utility" portion of its business has jumped from 62% in 2012 to 99% in 2017, suggesting an extremely comfy earnings base moving forward.

With an attractive 5.0% yield and beta of 0.5, the stock's downside seems limited.

Golden opportunity

With $2.6 billion in trailing 12-month operating cash flow, **Barrick Gold** (TSX:ABX)(NYSE:ABX) rounds out this week's list. Over the past three months, shares of the gold miner are up a solid 26% versus a loss of 9% for the **S&P/TSX Capped Materials Index**.

Mr. Market is thrilled about Barrick's recently announced merger with Africa-focused counterpart Randgold Resources. Among the positives is an increase in dividends: Barrick will now pay shareholders $0.07 per share for the December quarter — instead of the originally planned $0.05 payout — and target an annual dividend of $0.16 per share. Management cited stronger cash flows and cost synergies arising from the deal for the payout boost.

With Barrick still off significantly from its three-year highs, there should be plenty of upside left.

The bottom line

There you have it, Fools: three cash-cow stocks in the TSX Index for you to consider.

They aren't formal recommendations. Instead, use them as a jump-off point for further research. Even cash-cow stocks can deliver poor returns if you underestimate the risks involved, so plenty of homework is still required.

Fool on.

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2. NYSE:TU (TELUS)
3. TSX:ABX (Barrick Mining)
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bpacampara