More Dividend Increases for This Energy Giant Spells Investor Retirement Wealth Creation

Description

With interest rates still being so low, investors have come to rely on dividend stocks to provide them with their retirement income. Consistent dividend increases are a great way to ensure a healthy retirement income for investors now and in the future.

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Dividend stocks such as **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) have done this for shareholders, and with another 12% dividend increase this quarter, CNQ stock's dividend yield now stands at 4.2%. The dividend is safe and stable, with CNQ's stable operations underpinning its strong and growing cash flow and its healthy and flexible balance sheet.

In its just-reported fourth quarter 2018, CNQ generated $1.2 billion in cash flow ($1.02 per share), despite the Canadian oil differential widening dramatically during the quarter. Costs continued to fall, and the company continues to return cash to shareholders as a reflection of management's confidence in its future. This is a testament to the company's resiliency and quality.

So, despite recent oil price weakness and the Canadian oil industry's troubles, Canadian Natural is still on a long and consistent road of shareholder value creation, with dividend increases and stock price outperformance being the norms.

Freehold Royalties (TSX:FRU) is another energy stock that has given investors a reliable dividend that is backed by soaring cash flows and a strong balance sheet.

In the latest quarter, operating cash flow increased 27% versus last year and 9% versus last quarter. Freehold stock currently has a dividend yield of 7.15%, and this is a dividend that is safe and well-covered.

Freehold's payout ratio is enviable, coming in line with the company's targeted 60-80% range. The company's balance sheet is also enviable, with a net-debt-to-cash flow ratio of 0.6 times.

With a highly diversified list of quality assets in a royalty model, Freehold is a less-risky way to bet on the oil and gas market and to benefit from buying in at cyclical lows.

Freehold Royalties generates free cash flow per share of approximately $0.70 at $50 oil and is well positioned to continue to create real value for shareholders. To get a sense of the oil price leverage that Freehold has, a change in the oil price from $50 to $60 increases the company’s cash flow by more than 30%.

In summary

For investors that want access to a growing and reliable dividend stream to anchor their retirement income, these two energy stocks are a good option, as they have clear histories of value creation and lower-risk business models.

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1. Dividend Stocks
2. Energy Stocks
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TICKERS GLOBAL

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

PARTNER-FEEDS

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