3 Top Cash-Cow Stocks to Build Your 1st Million

Description

Hello again, Fools. I'm back again to highlight three companies that generate boatloads of free cash flow. As a quick reminder, I do this because free cash flow is used for shareholder-friendly moves, such as

- paying hefty dividends for income-seeking investors;
- buying back shares at depressed prices; and
- growing the business without having to take on too much debt.

While speculating on small-cap cash burners can be profitable over the near term, buying into high-quality cash producers remains the most prudent way to build long-term wealth.

So, without further ado, let's get to this week's "cash cows."

Electric upside

Leading off our list is electricity utility **TransAlta** (TSX:TA)(NYSE:TAC), which has generated an impressive $277 million in free cash flow over the past 12 months.

TransAlta continues to leverage its high-quality Alberta assets to deliver stable results for shareholders. In the most recent quarter, EPS topped estimates by $0.08, as revenue improved 11% to $497 million. More importantly for income seekers, free cash flow clocked in at $49 million.

Looking ahead, management sees full-year free cash flow at the top end of its $270-$330 million guidance range.

"As we look forward, we are seeing improving fundamentals in the Alberta market and continue work to competitively position our Alberta coal assets to deliver our coal-to-gas strategy," said President and CEO Dawn Farrell.

TransAlta shares are up 50% so far in 2019.

On the rails

Next up on our list, we have railroad giant **Canadian Pacific Railway** (TSX:CP)(NYSE:CP), whose trailing 12-month free cash flow clocks in at $1.2 billion.

CP has benefitted nicely from strong traffic in crude oil shipments over the past several months and continues to share the wealth with shareholders. In the most recent quarter, EPS of $4.30 topped expectations by $0.15, as revenue increased 13% to $2 billion.

Moreover, the company has repurchased an impressive $982 million worth of shares over just the past year.

"As has been proven time and again, our operating model can perform well in all economic conditions and we will remain disciplined in controlling our costs and doing what we said we would do," said President and CEO Keith Creel.

CP shares have gained 29% in 2019.

Real selection

Rounding out our list is retail real estate giant **RioCan Real Estate Investment Trust** (TSX:REI.UN), which has generated $329 million in free cash flow over the past 12 months.

Investing in retail might be a scary proposition in today's ever-increasing e-commerce world, but RioCan is certainly worth considering. In the most recent quarter, funds from operations (FFO) of $0.48 per share — a key cash flow metric in real estate — topped estimates by $0.12 as revenue jumped 18% to $327.5 million.

"RioCan continued to deliver strong unitholder value in the second quarter of 2019 as a result of the successful execution of our major market strategy," said CEO Edward Sonshine.

RioCan is up 11% so far in 2019 and offers a healthy yield of 5.5%.

The bottom line

There you have it, Fools: three "cash cows" worth considering.

As always, they aren't formal recommendations. Instead, see them as a starting point for further research. Even the most stable cash generators can suffer setbacks, so plenty of your own due diligence is still required.

Fool on.

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1. NYSE:CP (Canadian Pacific Railway)
2. NYSE:TAC (TransAlta Corporation)
3. TSX:CP (Canadian Pacific Railway)
4. TSX:REI.UN (RioCan Real Estate Investment Trust)
5. TSX:TA (TransAlta Corporation)

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