



Young Investors: 3 “Cash Cow” Stocks to Secure an Early Retirement

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 path to a reasonably early retirement.

Let’s get to this week’s cash cows.

Telus what you need

Leading off our list is **Telus** ([TSX:T](#))([NYSE:TU](#)), which has generated \$4.0 billion in operating cash flow over the past 12 months. Year to date, shares of the telecom giant are up about 5%.

Telus’ scale advantages, highly regulated operating environment, and wireless growth should continue to support extremely stable fundamentals. In its Q3 results last week, revenue improved 4% to \$3.6 billion. More important is that wireless customer additions clocked in at 154,000, up 45% year-over-year.

Management continues to target annual dividend growth of 7%-10%.

“As we look to the back half of 2019 and beyond, we will strive to continue balancing the interests of all our stakeholders as we execute on our strategy to further position TELUS for long-term success,” said CFO David French.

Telus shares offer a dividend yield of 4.8%.

Strong utility

Next up, we have **Canadian Utilities** ([TSX:CU](#)), which has produced \$1.1 billion in trailing 12-month operating cash flow. Shares of the diversified utility are up 25% so far in 2019.

The stock's long-term track record continues to be supported by sound fundamentals. In the most recent quarter, EPS of \$0.46 topped estimates by \$0.04 as revenue came in at \$902 million.

More important, Canadian Utilities has now increased its dividend for 47 straight years — the longest such streak of any publicly traded Canadian company.

“Higher earnings were mainly due to the favourable impact of the electricity transmission 2018-2019 general tariff application decision ... as well as ongoing growth in the regulated rate base, earnings growth in the hydrocarbon storage business, cost efficiencies, and lower income taxes,” wrote the company.

The stock boasts a healthy yield 4.3%.

Golden choice

With \$2.7 billion in trailing 12-month operating cash flow, **Barrick Gold** ([TSX:ABX](#))(NYSE:GOLD) rounds out our list. Shares of the gold miner are up 26% so far in 2019.

Barrick continues to be a prudent play on the strong price of gold. In the most recent quarter, revenue jumped 20% as gold production rose 27% to 1.35 million ounces.

And for the full year, Barrick expects annual gold production of 5.1 million-5.6 million ounces at all-in sustaining costs of \$870-\$920 per ounce.

“Our ongoing focus will be deepening our team skills and building our succession initiatives,” said CEO Mark Bristow. “Mining is always going to be about its human capital and that is why we invest in the best people.”

Barrick currently yields a modest 0.9%.

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:B (Barrick Mining)
2. NYSE:TU (TELUS)
3. TSX:ABX (Barrick Mining)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:T (TELUS)

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Date

2025/09/08

Date Created

2019/10/07

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