TFSA Investors: 3 Ultra-Steady Stocks for 2020

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.

If you're looking to secure your TFSA in 2020, these supremely reliable companies are a good place to start.

Fortis of strength

Leading off our list is **Fortis** (TSX:FTS)(NYSE:FTS), which has generated $2.5 billion in operating cash flow over the past 12 months. Year to date, shares of the telecom giant are up about 21%.

Fortis's scale advantages ($52 billion in total assets), highly regulated operating environment, and diversified business model (electric, gas, and infrastructure) support very stable fundamentals. In the most recent quarter, for example, earnings clocked in at $720 million.

Looking ahead, management continues to target average annual dividend growth of about 6% through 2023.

"Over the long term, Fortis is well positioned to enhance shareholder value through the execution of its capital expenditure plan, the balance and strength of its diversified portfolio of utility businesses, and growth opportunities within and proximate to its service territories," wrote Fortis.

Fortis currently offers a solid dividend yield of 3.5%.

On the right track

Next up, we have **Canadian Pacific Railway** (TSX:CP)(NYSE:CP), which has produced $2.7 billion in trailing 12-month operating cash flow. Shares of the railroad giant are up 44% so far in 2019.

Canadian Pacific's price performance continues to be supported by sound fundamentals. In the most recent quarter, adjusted EPS jumped 36% as revenue improved 13% to $2 billion. Moreover, operating ratio came in at Q2 record of 58.4%.

"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 CEO Keith Creel. "Our strategy for sustainable, profitable growth is working and we look forward to a strong finish to 2019."

The stock currently offers a dividend yield of 1.2%.

Feeling gassy

With $8.6 billion in trailing 12-month operating cash flow, **Enbridge** (TSX:ENB)(NYSE:ENB) rounds out our list. Shares of the natural gas giant are up 12% so far in 2019.

Enbridge's solid cash flow continues to be underpinned by a low-risk business model (pure regulated business) and strong organic growth. Looking ahead, management expects distributable cash flow growth per share of 5-7% through 2020.

"Strategically, the actions we took over the past year to streamline, strengthen the balance sheet and move to a pure pipeline and utility model, have further de-risked the business and put us in a position of strength to capitalize on opportunities going forward," said CEO Al Monaco.

Enbridge currently yields a juicy 6.3%.

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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2. NYSE:ENB (Enbridge Inc.)
3. NYSE:FTS (Fortis Inc.)
4. TSX:CP (Canadian Pacific Railway)
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Date
2025/09/12
Date Created
2019/10/16
Author
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