3 Top Energy Stocks to Nail Down $10,000/Year

Description

Hi there, Fools. I'm back to highlight three top dividend stocks. As a reminder, I do this because solid dividend stocks

- provide a healthy income stream in both good and bad markets; and
- tend to outperform the market over the long run.

The three stocks below offer an average dividend yield of 4%. If you spread them out evenly in a $250K RRSP account, the group will provide you with an annual income stream of $10,000 — on top all the appreciation you could earn.

This week, we'll take a look at three particularly attractive energy plays.

Energetic opportunity

Kicking things off is oil and gas giant **Cenovus Energy** (TSX:CVE)(NYSE:CVE), whose shares sport a solid dividend yield of 2.2%.

Despite weak energy prices, Cenovus's dividend continues to be supported by best-in-class assets, substantial free cash flow generation, and a strong balance sheet. In the most recent quarter, Cenovus generated free funds flow of $622 million on revenue of $4.7 billion.

Looking ahead, management says it remains on track to reach crude-by-rail shipments of roughly 100K bbl/day by year-end.

"Through our focus on safe and reliable operations, cost leadership and capital discipline, we are generating strong results that support further debt reduction and increased shareholder value," said CEO Alex Pourbaix. "In addition, our market access strategy is steadily increasing our exposure to global oil pricing."

Cenovus shares are up 25% year to date.

Profit pipeline

With a healthy dividend yield of 4.5%, energy pipeline operator **TC Energy** (TSX:TRP)(NYSE:TRP) is our next high yielder.

TC's consistent dividend continues to be underpinned by a massive energy infrastructure portfolio, diversified operations, and highly reliable cash flows. In the most recent quarter, TC generated $1.7 billion of distributable cash flow, even as revenue remained relatively flat.

Looking ahead, management still sees dividend growth of 8-10% through 2021.

"During the third quarter of 2019, our diversified portfolio of regulated and long-term contracted assets continued to perform very well," said CEO Russ Girling. "Despite significant asset sales that have accelerated the strengthening of our balance sheet, comparable earnings per share increased four% compared to the same period last year."

TC shares are up about 33% in 2019.

Smart acquisition

Closing out our list is another pipeline operator, **Pembina Pipeline** (TSX:PPL)(NYSE:PBA), which boasts an especially healthy dividend yield of 5.2%.

Pembina's dividend is backed by a diverse business model, hefty cash flow generation, and key strategic acquisitions. The highlight of the most recent quarter, for example, was Pembina's acquisition announcement of Kinder Morgan Canada and the U.S. portion of the Cochin Pipeline.

"This acquisition is highly strategic for Pembina, providing enhanced integration with our existing franchise, extension of our value chain and clear visibility to creating long-term value for all stakeholders," said CEO Mick Dilger in a conference call with analysts. "We remain solidly of the view that this transaction will make us better not just bigger.

Pembina shares are up about 15% so far in 2019.

The bottom line

There you have it, Fools: three top high-yield stocks worth checking out.

As always, don't view them as formal recommendations. Instead, look at them as a starting point for more research. A dividend cut (or halt) can be especially painful, so you'll still need to do plenty of due diligence.

Fool on.

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1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:CVE (Cenovus Energy Inc.)
4. TSX:PPL (Pembina Pipeline Corporation)
5. TSX:TRP (TC Energy Corporation)

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