Scared of a 2020 Recession? Protect Yourself With These 3 Top Stocks

Description

Hello, Fools. I'm back again to highlight three companies that generate boatloads of cash flow. As a quick reminder, I do this because cash flow is used by management teams 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 wealth.

So if you're looking for a way to recession-proof your portfolio in 2020, this list might be a good place to start.

Fortis of strength

Leading off our list is **Fortis** (TSX:FTS)(NYSE:FTS), which has generated $2.6 billion in operating cash flow over the past 12 months. Shares of the electricity giant are up about 12% over the past year.

Fortis' high-quality portfolio, massive scale (3.3 million customers with a base rate of $28 billion), and highly regulated operating environment continue support very stable fundamentals.

In the most recent quarter, management even increased the quarterly dividend 61%, marking the 46th straight year of payout growth.

More importantly, however, is that the company continues to target annual dividend growth of 6% through 2024.

"We are optimistic about the trends occurring in our industry, including the move to cleaner energy and electrification," said CEO Barry Perry.

Fortis offers a solid dividend yield of 3.6%.

Active investing

Next up, we have **Gildan Activewear** (TSX:GIL)(NYSE:GIL), which has produced $483 million trailing 12-month operating cash flow. Shares of the apparel company are down 11% over the past year.

Rising costs and declining sales have weighed on the stock, but now might be an opportune time to pounce. In the most recent quarter, Gildan managed to generate $87 million of free cash flow even amid lower sock sales and higher raw material costs.

Looking ahead, management expects full-year free cash flow of $200 million-$250 million.

"While we are disappointed by the recent demand weakness … we believe our overall business model which has been built on the strength of our large-scale vertically integrated manufacturing system remains intact," said CFO Rhodri Harries.

Gildan currently offers a dividend yield of 1.9%.

Presence of royalty

With $695 million in trailing 12-month operating cash flow, **Franco-Nevada** (TSX:FNV)(NYSE:FNV) rounds out our list. Shares of the gold royalty giant are up an impressive 42% over the past year.

In addition to the rising price of gold, Franco-Nevada's price strength has been backed by strong cash flow generation and impressive production growth. In the most recent quarter, revenue jumped 38% while EPS of $0.54 topped estimates by $0.09.

Gold equivalent ounces sold during the quarter clocked in at 133,219, a new record.

"Record results were achieved across all our important production and financial metrics," said CEO David Harquail. "This strong growth has been driven by the start of precious metals deliveries from Cobre Panama and the addition of a new energy royalty in the Marcellus."

Franco-Nevada currently offers a dividend yield of 1.0%.

The bottom line

There you have it, Fools: three cash cows worth considering for 2020.

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.

CATEGORY

1. Dividend Stocks

2. Investing

TICKERS GLOBAL

1. NYSE:FNV (Franco-Nevada)
2. NYSE:FTS (Fortis Inc.)
3. NYSE:GIL (Gildan Activewear Inc.)
4. TSX:FNV (Franco-Nevada)
5. TSX:FTS (Fortis Inc.)
6. TSX:GIL (Gildan Activewear Inc.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Investing

Date
2025/06/30
Date Created
2019/12/01
Author
bpacampara

Footer Tagline