Forget Weed Stocks! 3 Ways to Get Filthy Rich (Without Being Stupid)

Description

Hi there, 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 cash-burning weed companies 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 TFSA in 2020, this list might be a good place to start.

Canadian icon

Leading off our list is **Canadian Utilities** (TSX:CU), which has produced $1.4 billion in trailing 12-month operating cash flow. Shares of the diversified utility are up 25% over the past year.

Canadian Utilities leans on regulated long-term contracts, disciplined capital investment, and a diverse portfolio to keep delivering the goods for shareholders. In the most recent quarter, adjusted earnings came in at $106 million on revenue of $885 million.

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

"Going forward, we will focus on opportunities that globally diversify our portfolio of utility and energy infrastructure assets and leverage the breadth of our energy expertise," said CFO Dennis DeChamplain. "We do intend to maintain the strong investment-grade credit ratings in order to provide efficient and cost-effective access to funds required for our operations and growth."

The stock currently offers a healthy dividend yield of 4.2%.

Natural selection

Next up, we have energy giant **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ), which has generated $7.7 billion in operating cash flow.

Canadian Natural's cash flow is backed by massive scale, a relatively low-cost structure, growth opportunities within the oil sands, and higher price realizations. In the most recent quarter, for example, Canadian Natural generated adjusted funds flow of roughly $2.9 billion — a quarterly record for the company. Management cited lower-than-expected costs and higher production for the strong results.

Looking ahead, the company expects 2020 production of 1.14 million to 1.21 million boe/day, up slightly from 2019.

"Canadian Natural's ability to generate significant and sustainable free cash flow sets us apart from our peers," said Vice Chairman Steve Laut. "Our focus on capital discipline, as a part of our four pillars of capital allocation, operational excellence and leveraging our competitive advantages drives economic asset development, significant margin growth and a strong balance sheet."

Canadian Natural currently offers a dividend yield of 3.9%.

Breaking news

Rounding out our list is news and information specialist **Thomson Reuters** (TSX:TRI)(NYSE:TRI), which consistently generates annual operating cash flow of more than $2 billion.

Thomson leans on recurring revenue streams, high switching costs (due to hard-to-replicate databases), large scale, and stable news business to deliver the goods for shareholders. In the most recent quarter, EPS of $0.27 topped estimates, as revenue climbed 10% to $1.4 billion.

Looking ahead, management still sees full-year revenue growth of 7-8.5% and EPS growth of 16-19%.

"New products are resonating with customers and helping us improve retention rates, in some cases at historically high levels," said President and CEO Jim Smith. "[T]he stronger and more stable characteristics of our overall business model should enable the company to sustain an attractive value creation model for shareholders, one that is driven both by growth and returns."

Thomson currently offers a dividend yield of 1.8%.

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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TICKERS GLOBAL

1. NASDAQ:TRI (Thomson Reuters)
2. NYSE:CNQ (Canadian Natural Resources)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:CU (Canadian Utilities Limited)
5. TSX:TRI (Thomson Reuters)

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