4 Energy Stocks that Raised the Dividend in Q1

Description

Several retail investors have adopted a dividend growth strategy as a means of building strong and sustainable income. Many also depend on dividend companies in retirement. In Canada, this includes a heavy focus on energy stocks. The dividend growth strategy is growing in popularity as record-low interest rates make bonds and GICs much less attractive.

One of the best places to start is the Canadian Dividend Aristocrat list. These are companies which have raised the dividend for at least five consecutive years.

Last week, we took a look at the many companies that either cut, or suspended the dividend. Thanks to recency bias, investors may not realize that the first quarter was also a strong one for dividend growth investors.

In the first quarter, 40 Canadian Dividend Aristocrats raised the dividend. Yesterday, we looked at telecoms; today we are taking a closer look at energy stocks.

	Old	New	Percentage	Date
Pembina Pipeline (TSX:PB)(NYSE:PBA)	$ 0.20	$ 0.21	5.00%	1/9/2020
TC Energy (TSX:TRP)(NYSE:TRP)	$ 0.75	$ 0.81	8.00%	2/13/2020
Parkland Fuel Corporation (TSX:PKI)	$ 0.0995	$ 0.1012	1.71%	3/5/2020
Canadian Natural Resources (TSX:CNQ) (NYSE:CNQ)	$ 0.375	$ 0.425	13.33%	3/5/2020

Low cost producer

At a time when Saudi's declared a war on the price of oil, Canadian Natural Resources reminded investors why it's a best-in-class energy stock. At 19 years, the company owns one of the longest dividend growth streaks in the country.

Over this period, Canadian Natural's low cost profile has enabled it to raise dividends by at least double digits over the past decade. It is also why the company was able to maintain the dividend throughout the current crisis. If it succeeds in navigating the year without cutting, this Canadian

Dividend Aristocrat will reach two decades of dividend growth.

Notably, **Suncor** also raised the dividend in the first quarter, but it was then cut shortly after.

Two midstream companies

Midstream companies are at the top of income investors' buy list for a number of reasons. They offer strong starting yields and aren't as subject to fluctuation in oil prices, as cash flows are underpinned by long-term, take-or-pay contracts.

TC Energy is one of the biggest in the industry. The company's 8% raise is inline with historical averages and will effectively extend the streak to 20-years. The best news? Investors can expect their annual income to continue growing over the next couple of years.

This energy stock has a targeted dividend growth rate of 8-10% through 2021. After this period, TC Energy expects the dividend to rise inline with cash flows. As of the most recent presentation, investors can expect 5-7% growth in 2022 and beyond.

For its part, Pembina's 5% January raise was ahead of schedule. The company typically raises the dividend in May of each year. In 2019, the company announced that it was acquiring Kinder Morgan Canada and the Cochin pipeline for $4.35 billion. As part of that announcement, Pembina also announced its intentions to raise the dividend by 5% upon closing.

True to its word, Pembina's raise came on the heels of the closing of the acquisition. The raise extends its dividend growth streak to nine years, and re-affirms its status as an Aristocrat.

A fuel retailer

Parkland Fuel is one of the fastest-growing fuel retailers in North America. The company has been scooping up gas stations, and by extension, is also a leading convenience store operator. In this way, it is more than just an energy stock.

The company's 1.71% yield isn't anything to get too excited about. It is however, inline with historical averages of low, single-digit growth. The annual raise represents Parkland's eighth consecutive year of dividend growth.

It is important to note that as a serial acquirer, Parkland prefers to deploy its cash towards acquisition, which is the reason for the low dividend growth rate. It is a strategy that has clearly worked, as the share price is up by more than 200% over the past decade.

Are these energy stocks a buy today?

The entire energy sector is under pressure. Low oil prices are persisting and demand isn't likely to reach pre-pandemic levels for a number of years. That said, if investors are looking for a play to take advantage of a rebound in oil prices, then Canadian Natural is one of the safest producers.

If not, investors may be best to stick with the midstream companies as they are less volatile. They offer a very attractive yield and a dividend that is underpinned by stable cash flows.

And Parkland? The pace of acquisitions is likely to slow, which will impact its growth profile. The company appears fairly valued at these levels, and I'm neutral on the company in today's environment.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. NYSE:TRP (Tc Energy)
4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:PKI (Parkland Fuel Corporation)
6. TSX:PPL (Pembina Pipeline Corporation)
7. TSX:TRP (TC Energy Corporation)

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