Top 3 Dividend Stocks With Rising Yields

Description

Last year, bank stocks unleashed a dividend tsunami. This year, energy stocks could do the same. The rising cost of oil and natural gas has boosted the free cash flow of these firms. Now, much of this excess cash is being handed back to shareholders. Here are the top three oil stocks that could boost their dividends in the months ahead.

Cenovus

Cenovus Energy (TSX:CVE)(NYSE:CVE) recently announced a 200% dividend boost. However, the company could have more room to expand dividends if natural gas and crude oil remain elevated.

The dividend raise was expected because the company's net income and cash flow soared into the stratosphere. Over the past year, cash flow from operations and adjusted funds flow was up 2,000% and 6,000%, respectively. That's why shareholders who bet on the company early are now being rewarded.

However, some of the cash flow in recent quarters has been used to pay down debt. The company is targeting net debt below $4 billion. Once it gets there, it will offer even more cash flow to investors. Put simply, there are more buybacks and dividend hikes ahead for this stock.

Cenovus stock currently trades at a forward price-to-free cash flow ratio of 6.5, which makes it a cheap bet on the future of the energy industry. Keep an eye on it.

Suncor

Suncor (TSX:SU)(NYSE:SU) is one of Canada's largest oil producers. Like the rest of the industry, the stock has had a good run over the past year. However, the stock performance has lagged behind peers and Suncor's dividend payouts are still relatively low.

Now, an activist investor seeks to change that. Paul Singer's Elliott Management has pushed for strategic changes to unlock value for shareholders. One of the recommended changes is to boost shareholder rewards from 50% of excess cash flow to 80%. If these recommendations are implemented, Suncor could announce dividend hikes and bigger buybacks relatively soon.

Suncor stock is relatively cheap at just seven times forward earnings per share. Meanwhile, the company expects energy prices to remain elevated while it ramps up production throughout the year. Higher production, higher prices, and a low valuation could deliver substantial upside to long-term investors.

Whitecap Resources

Whitecap Resources (TSX:WCP) is relatively niche in the energy sector. Most investors haven't heard of this company, but it's far from a small cap. The market cap is roughly $6.6 billion right now, so the stock certainly deserves more attention.

The Calgary-based natural gas producer has seen a huge boost in free cash flow over the past year. Grant Fagerheim, president and CEO of Whitecap Resources, recently told *BNN Bloomberg* that the company was in uncharted territory as free cash flow surged to $1.4 billion.

If the energy crisis persists, Whitecap could be one of the biggest winners. The stock currently offers a 3.4% dividend yield which could be raised in the near future.

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