



## Suncor Energy Inc. vs. Canadian Natural Resources Ltd.: Who's the Dividend King of the Oil Patch?

### Description

**Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) and **Canadian Natural Resources Ltd.** ([TSX:CNQ](#))([NYSE:CNQ](#)) regularly come up as best-in-class picks when analysts discuss top names in the energy space.

As oil prices resume their downward trend, long-term dividend investors are beginning to look for good entry points in these stocks, but it can be difficult to choose between them.

Let's take a look at the two energy titans to see if one deserves a spot in your portfolio.

### Suncor Energy Inc.

As Canada's largest integrated energy company, Suncor offers investors a chance to benefit from strong assets all along the value chain.

Suncor's oil sands properties contain about seven billion barrels of oil reserves and another 19 billion barrels in contingent resources. This translates into decades of potential production.

In the conventional oil business, companies continuously drill and explore new areas to find replacement reserves for the ones they have depleted. This is expensive and can be risky when drilling activity comes up dry. Suncor doesn't have to worry about replacing reserves. It simply has to focus on improving the production process.

In Q4 2014, Suncor managed to get its operating cost per barrel down to \$34.45, a decent reduction from the \$36.85 cost per barrel it incurred in Q3 2013.

CEO Steve Williams said, "We will continue to execute on our cost management strategies, and as reflected in our 2015 guidance, anticipate a further reduction of oil sands cash operating costs per barrel."

Suncor also operates four world-class refineries and a network of more than 1,500 retail service

centres. Three of the four refineries underwent major maintenance projects during Q4 2014 and the facilities should run near full capacity this year. The retail operations provide a consistent stream of revenue that helps offset the effects of lower oil prices on the upstream operations.

Suncor reduced its 2015 capital spending by \$1 billion and has put its share-buyback program on hold.

The company pays a dividend of \$1.12 per share that yields about 3%. Suncor has an annualized dividend-growth rate of 24% over the past 10 years and 28% for the past five years.

The company is trading at 24 times forward earnings and 1.2 times book.

### **Canadian Natural Resources Ltd.**

Canadian Natural just surprised the markets with record fourth-quarter earnings and a dividend *increase*. That's right, the company raised its quarterly payout by half a cent to 23 cents per share. The \$0.92 per share annualized distribution yields about 2.5%. Canadian National has increased the dividend in each of the last 15 years.

Canadian Natural probably owns the best overall asset mix among the top Canadian energy companies. Its oil sands, conventional oil, natural gas, and natural gas liquids (NGL) properties continue to deliver strong production growth. The company is also very good at locating new reserves. In 2014, Canadian Natural enjoyed a 98% success rate from its drilling programs.

The company delivered a 20% year-over-year oil and NGL production increase in the fourth quarter, with all of its business units contributing to the positive results.

Canadian Natural tends to maintain 100% ownership in its assets. This gives the company great flexibility to move capital around to take advantage of opportunities in the market.

Low oil and gas prices will force struggling companies to unload assets in the coming months, and Canadian Natural is in a strong position to take advantage of any deals that come up.

Canadian Natural has a 10-year annualized dividend-growth rate of 24.5%. The five-year rate is 34%. The stock is trading at 25.5 times forward earnings and 1.4 times book.

### **Which should you buy?**

Both Suncor and Canadian Natural are great dividend-growth stocks. If you had to pick one, I would lean toward Suncor because it has strong retail and refining assets. These stocks aren't cheap right now and the ongoing volatility in the oil market could present a better entry point in the coming weeks or months. At this point I would wait, or look for a better opportunity like the one discussed below.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **POST TAG**

1. Editor's Choice

## **TICKERS GLOBAL**

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:SU (Suncor Energy Inc.)

## **Category**

1. Dividend Stocks
2. Energy Stocks
3. Investing

## **Tags**

1. Editor's Choice

## **Date**

2025/09/10

## **Date Created**

2015/03/12

## **Author**

aswalker

default watermark

default watermark