



How Much Upside Can These Energy Giants Expect?

Description

If you've been following **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)) and **Canadian Natural Resources Ltd.** ([TSX:CNQ](#))([NYSE:CNQ](#)), you would have noticed that both stocks have appreciated nicely from their recent lows. Specifically, the energy stocks have climbed ~20% from their two-month lows. No doubt the recent breakout of the WTI oil price to above US\$60 per barrel had some effect on the positive sentiment.

With the WTI oil price sitting at ~US\$68 per barrel, is there more upside for these stocks from the current levels?



First, here's a quick overview of the two energy giants.

Suncor

Suncor is a diversified integrated energy company with operations in oil sands development and upgrading, offshore oil and gas production, petroleum refining, and product marketing under the Petro-Canada brand. With its diversified sources of earnings, Suncor stock's performance tends to be more stable than that of others in the energy space.

Suncor has an A-grade balance sheet and is a rare dividend growth gem in the energy space. It has increased its dividend per share for 15 consecutive years. Its last increase was 12.5% in February,

while its three-year dividend growth rate is 7.9%.

Notably, Suncor's dividend increases can be bumpy. At times it has increased its dividend by 2-7% in a year, but it has also increased its dividend as much as 50% in a year! So, there's a strong company culture to return excess cash to shareholders. At ~\$48.90 per share, Suncor offers a yield of almost 3%.

Canadian Natural

Canadian Natural is a senior oil and gas producer. It estimates production growth of ~17% to 1,090-1,170 barrels of oil equivalent per day this year with a production mix of ~25% natural gas, ~38% oil sands mining and upgrading, ~25% heavy crude oil, and ~12% light crude oil and natural gas liquids.

Canadian Natural has a stable balance sheet to support an investment-grade S&P credit rating of BBB+. Like Suncor, it's also a rare dividend growth gem in the volatile energy space. Canadian Natural has increased its dividend per share for 17 consecutive years. Its last increase was 21.8% in March, while its three-year dividend growth rate is 6.9%.

Like Suncor, Canadian Natural's dividend increases can be bumpy. At times, it has increased its dividend by 2-6% in a year, but it has also increased its dividend as much as 57% in a year! At ~\$45.90 per share, Canadian Natural offers a yield of ~2.9%.

How much upside is there for these energy giants?

The analyst consensus from **Thomson Reuters Corp. (TSX:TRI)**(NYSE:TRI) has a 12-month target of \$52.30 per share on [Suncor](#) stock, which represents ~7% upside potential in the near term.

[Canadian Natural](#) will have more upside when the underlying commodity prices improve. With the recent improvement in oil prices, the analyst consensus from Reuters is more bullish than that of Canadian Natural, giving it a 12-month target of \$53.50 per share, which represents ~16% upside potential in the near term.

Both stocks have run up big time recently. For a bigger margin of safety, consider Suncor at \$40 per share or lower and Canadian Natural at \$38 per share or lower.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NASDAQ:TRI (Thomson Reuters)
2. NYSE:CNQ (Canadian Natural Resources)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:SU (Suncor Energy Inc.)
6. TSX:TRI (Thomson Reuters)

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