2 Oily TFSA Income Stocks for 2019

Description

There are those who like to gamble on the big score and those who prefer for their investments to make steady gains over time. I tend to identify with the latter more than the former, so larger companies that grow both their businesses and their dividends steadily over time are more appealing, as a general rule.

The oil patch is no exception. This sector is littered with value at the moment. It is not hard to find dividend-paying companies, large and small, that might pay off big someday for investors who have stuck it out through the bad times. The problem is that a lot of the smaller companies are extraordinarily volatile and sometimes have a bad habit of taking on large debt loads and cutting their dividends in the bad times.

Luckily, there are options for the conservative investor as well. Large integrated players like **Suncor Energy** (TSX:SU)(NYSE:SU) and **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ) may not be as beaten down or have as much potential upside, but they do tend to make relatively more stable investments than their smaller counterparts.

In part, their stability is due to their size and diversified business base. Both companies have operations in Canada and around the world. Besides its North American assets, Suncor operates in European countries like Norway and the United Kingdom as well as other parts of the world such as Libya and Syria. CNQ also has an international focus in areas like the North Sea and off the coast of Africa. These operations allow both companies to benefit from the higher price of crude outside western Canada, limiting the impact of depressed domestic prices.

Both companies performed well in the third quarter. Suncor reported an 85% increase in operating earnings per share over the same quarter a year before. Net earnings per share were up 43%. CNQ increased its basic earnings per share by 164% over the same quarter of 2017 and adjusted funds flows per share were up 68%. Of course, investors need to be aware that these results come on the heels of one of the most significant oil price collapses in decades, so there is an element of a recovery still remaining in the numbers.

The dividends that these companies pay are quite impressive. At the current share price, Suncor shares yield around 3.48% a share. CNQ has an even higher yield at 3.72%. The yields have been growing, with Suncor increasing its dividend by 12.5% earlier this year and CNQ increasing its dividend by an impressive 22%.

In addition to their dividends, both companies have been buying back shares — probably a wise decision considering how inexpensive the shares are. Over the course of the last year, Suncor has purchased $889 million of its shares and CNQ purchased $873 million of its own shares. These repurchases increase shareholder value as the shares are retired and investors receive a greater proportion of earnings.

Suncor does have an edge over CNQ in a couple of areas. The first is the sheer range of businesses that Suncor operates. The company owns Petro-Canada, biofuel facilities, wind farms, and refining facilities. The array of its businesses provides multiple revenue streams that add some stability to a company operating in an extremely volatile sector.

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.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/08/26
Date Created
2018/12/12
Author
krisknutson