



Get 28% Returns From This Safe Energy Stock

Description

Don't you love it when your stocks increase their dividends *and* have strong upside potential? If so, you'd love to hear about the opportunity in **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) right now — before it runs away from you.

You see, Suncor has been very shareholder friendly. It's a [rare gem in the energy space](#), as it's one of four energy companies that has increased its dividend per share for more than a decade.



Strong cash flow leads to a solid dividend

Suncor didn't disappoint by hiking its quarterly dividend by nearly 16.7% earlier this month from \$0.36 to \$0.42. The reason it can do this is because of its massive cash flow generating power. This year is Suncor's 17th consecutive year of increasing its dividend per share!

Suncor's dividend per share is 5.6 times it was 10 years ago. So, if you generated \$100 of dividends per year from Suncor 10 years ago, you'd now generate \$560 per year! Currently, with an annual payout of \$1.68 per share, Suncor offers a competitive yield of nearly 3.9%.

In 2018, Suncor generated more than \$10 billion of funds from operations. After accounting for sustaining capital and dividends, it still had more than \$3.8 billion of cash flow left to grow the business.

Stock buybacks can be good or bad

Suncor is finishing up a \$3 billion stock buyback program by the end of this month. However, it plans to initiate another program to buy back up to \$2 billion of stock.

My hope is that the company will choose to buy back shares when the stock is actually cheap. In the low \$40s per share, I think it would be a good use of capital for Suncor to buy back its common stock.

Recent development

Suncor is catering to the changing needs of its customers. Therefore, it will be installing 50 electric vehicle fast-charging stations across Canada — along the Trans-Canada highway at strategically located Petro-Canada stations from Nova Scotia to British Columbia. The charging stations can provide an 80% charge to most electric vehicles in less than 30 minutes.

Investor takeaway

[Suncor](#) just increased its dividend significantly. At \$43.24 per share as of writing, it offers a safe yield of nearly 3.9%.

You'll notice that the stock has traded at the current levels in 2006, 2011, and 2014. So, it may be more suitable to opportunistically trade the stock for price appreciation than to hold it for the long term.

Suncor stock typically sees strength as the summer months approach. So, it's a great time to buy the stock before it runs up. Currently, the **Thomson Reuters** analysts have a mean 12-month target of \$53.60 per share, representing near-term upside potential of almost 24%!

Suncor is a timely blue chip stock for nearly 28% total returns potential over the next 12 months.

CATEGORY

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