



Sell These Energy Giants When Opportunity Knocks

Description

Surely, you must have heard by now that Warren Buffett's **Berkshire Hathaway** took a stake in **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) late last year.

It's awesome to get a vote of confidence from one of the greatest investors of all time, but be mindful that this *isn't* the first time Mr. Buffett had taken a stake in Suncor.

He'd bought the stock in 2013 and got out of the position by 2016.

Suncor still offers great value. This graph further illustrates why Buffett took a bite at the levels he did in late 2018. Suncor's a great trading stock — *if* you can catch it at a low and sell it at a high.



SU data by YCharts. The 10-year price action of Suncor Energy.

I [bought Suncor](#) in January this year before the news that Berkshire bought the stock came out. I gobbled up shares simply because I saw fabulous value, as well as a secure dividend.

Last year, Suncor generated more than \$10 billion of operating cash flow and more than \$3.8 billion of free cash flow! So, it was no surprise to me at all that the company increased its quarterly dividend by a hefty amount of 16.7% to \$0.42 per share last month.

Furthermore, Suncor is awarded a high S&P credit rating of A-. So, you can be reassured that its balance sheet is strong.

Suncor still offers marvelous upside. **Thomson Reuters** analysts have a mean 12-month target of \$54 per share, which represents 20% near-term upside potential from \$45 per share.

Meanwhile, you can get real cash from the dividends as you wait for the stock to tick higher. Suncor is yielding 4.14% as of writing.

Another top energy giant for a profitable trade



CNQ data by YCharts. The 10-year price action of Canadian Natural Resources.

A quick look at the graph above, and you can tell that **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) is a stock of similar nature to Suncor. The company is easily one of the top candidates in the Canadian oil patch for a profitable trade while getting a decent dividend.

The large-cap oil and gas producer just reported its fourth-quarter and full-year 2018 results on Thursday. Results were positive with the stock reacting by appreciating 3%.



In 2018, similar to Suncor, Canadian Natural Resources generated more than \$10 billion of operating cash flow and about \$4 billion of free cash flow.

Canadian Natural Resources didn't disappoint by increasing its quarterly dividend at a double-digit growth rate of nearly 12% to \$0.375 per share.

Additionally, the company is awarded a solid investment-grade S&P credit rating of BBB+. So, you can

sleep with a peace of mind that Canadian Natural Resources's balance sheet is intact.

Canadian Natural Resources still offers astounding upside. Reuters analysts have a mean 12-month target of \$46.20 per share, which represents 25% near-term upside potential.

You also get a nice dividend while waiting for price appreciation. Canadian Natural Resources offers a yield of 4.14% as of writing.

Investor takeaway

The Foolish takeaway is that you must buy these stocks at lows *and* sell at highs to maximize returns. They're *not* [the best of buy-and-hold energy stocks](#).

Currently, both Suncor and Canadian Natural Resources still offer substantial upside potential. They also give back returns from a 4% yield in the meantime.

If anything, these stocks are solid buys right now and on any further dips.

Stay Hungry. Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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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.)

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Date

2025/08/02

Date Created

2019/03/10

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