2 Top Unloved Dividend Stocks to Put in Your TFSA Today

Description

Suncor (TSX:SU) (NYSE:SU) and **Enbridge** (TSX:ENB)(NYSE:ENB) are somewhat out of favour, which is providing investors with an opportunity to pick up the stocks at attractive prices.

Suncor

Suncor is best known for its oil sands production businesses but the company also has offshore oil assets, as well as large refineries and a retail operation that includes more than 1,500 Petro-Canada locations.

The integrated nature of the assets allows Suncor to ride out tough times when oil prices are weak, as the downstream businesses can often generate attractive margins when input costs fall.

At the same time, Suncor's strong balance sheet enables the company to acquire strategic assets when peers run into trouble and management can push ahead with large projects even when the oil market struggles. In fact, dark days in the sector can be the best times to invest, as construction costs tend to be lower when the energy industry is in a slump.

Investments and acquisitions made during the downturn are starting to pay off, although Q4 2018 was difficult. Suncor raised the dividend by nearly 17% for 2019 and currently provides a yield of 3.3%. The board has increased the quarterly payout from $0.05 per share to $0.42 per share over the past 10 years.

At the time of writing, WTI oil is back above US$60 per barrel, yet Suncor's stock is trading at about $44 per share compared to $55 last summer. If oil continues to rebound in the coming months, investors could see Suncor return to the 2018 high.

Long-term investors have done well with the stock. A $10,000 investment in Suncor two decades ago would be worth more than $90,000 today with the dividends reinvested.

Enbridge

Enbridge is a giant in energy infrastructure sector with oil, natural gas liquids, and natural gas pipelines and distribution assets spread out across Canada and throughout the United States.

A strategic shift undertaken in late 2017 now has the company focusing on its regulated businesses, and successful non-core assets sales have strengthened the balance sheet. Enbridge is working through a $20 billion capital program and additional organic growth opportunities exist across the vast asset base.

Management intends to raise the dividend by 10% in 2020, and steady increases should continue in line with annual distributable cash flow growth of at least 5% in the coming years.

The dividend provides a yield of 6% today, which is pretty attractive in the current environment of falling bond yields and lower GIC rates. If the Bank of Canada and the U.S. Federal Reserve are forced to reverse course and cut rates before the end of 2018, Enbridge and other go-to dividend stocks should find additional support.

Enbridge trades for $48 per share right now. It wouldn't be a surprise to see it trend back toward $60 in the next two years.

The bottom line

Suncor and Enbridge are market leaders with strong businesses and growing dividends. The stocks appear cheap today, and investors get paid well to wait for market sentiment to shift in these names.

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