



Contrarian Investors: 2 Unloved Oil Stocks to Buy Today

Description

The recovery in oil prices has helped boost the share prices of Canada's energy companies, but the market still appears hesitant to dive back into the sector, and that is providing investors with an opportunity to pick up some [top stocks](#) at reasonable prices.

Let's take a look at **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) to see why they might be interesting picks right now.

Suncor

Suncor is Canada's largest integrated energy company with oil production, refining, and marketing divisions. The downstream operations, which include four large refineries and more than 1,500 Petro-Canada retail locations, provide an important hedge when oil prices go through a rough spell.

Suncor recently reported solid results for the first quarter of 2019. Funds from operations came in at \$2.59 billion, or \$1.64 per share, compared to \$2.16 billion, or \$1.32 per share, in the same period last year.

Despite the production restrictions imposed by Alberta, Suncor saw its oil sands output rise to 657,000 barrels per day in the quarter compared to 572,000 in Q1 2018.

Growth opportunities include several offshore developments in Atlantic Canada and Norway.

Suncor raised the dividend by 17% for 2019 and has increased its share-repurchase target by \$2 billion. The company has a new leader, but the transition should be smooth, as the new CEO previously held the positions of president and chief operating officer.

The stock currently trades at \$42.60 per share compared to \$55 last July. Investors who buy today can pick up a dividend [yield](#) of 3.9% and get paid well to wait for sentiment to improve.

Canadian Natural Resources

CNRL has a diverse resource base covering the full spectrum of the oil and gas sphere, including oil sands, conventional oil, offshore oil, natural gas liquids, and natural gas. In fact, CNRL probably has the best overall land package and production mix in the country.

CNRL is known for being nimble with its capital allocation and is good at shifting investment around the portfolio to capitalize on the best market opportunities.

Net earnings for Q1 came in at \$1 billion and the company generated free cash flow of \$860 million. CNRL announced it is ramping up its share buybacks as a result of a positive outlook for free cash flow through the end of 2019.

CNRL raised its dividend by 12% for 2019, marking the 19th straight year the company has increased the payout. The current quarterly distribution provides an annualized yield of 4%.

The bottom line

Suncor and CNRL are leaders in the Canadian energy patch with strong balance sheets that enable both companies to buy assets when the industry goes through a difficult phase and then capitalize as prices and margins increase.

Suncor is probably the safer bet, given the integrated nature of the business, while CNRL probably has better upside potential on a rally in energy prices.

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