Stop Speculating! Here’s a Stock That Has Paid Uninterrupted Dividends for +20 Straight Years

Description

Shares in Canada’s largest energy producer **Suncor Energy** (TSX:SU)(NYSE:SU) appear headed back towards their 52-week lows.

But that might actually be good news rather than bad news for long-term-minded dividend and dividend-growth investors.

But first (briefly), the bad news…

Missed Q2 earnings and lowered 2019 forward guidance

SU shares fell 4.5% the day after it released its second-quarter earnings. It missed on the bottom line by $0.10 per share, despite beating on the top line with revenues that surpassed analyst expectations by $400 million.

But that second-quarter earnings release also included management’s announcement that it would be tempering guidance for the remainder of 2019, including reduced expectations for capital spending and higher anticipated operating costs within its Syncrude division.

The company’s stock has continued to mark fresh lows in the trading sessions since, including another 1.75% drop in Monday’s session.

It certainly wouldn’t be out of the question at this point to expect that SU stock could end up re-testing its late 2018 lows near the $36 mark on the TSX — a level where shares previously found support during the summer of 2017. If that were to happen, it could represent a solid buying opportunity for long-term investors.

Here’s the good news…

SU is a Dividend Aristocrat with a record of returning cash to shareholders

Suncor has paid an uninterrupted, regular dividend going all the way back to 1992, including a track record of raising its annual dividend by a compounded annual growth rate of more than 17% between 2010 and 2019.

In the second quarter alone, it managed to return $658 million in dividends and $552 million in stock repurchases to shareholders off net earnings of $2.729 billion, or $1.74 per share, representing an 8.2% total shareholder yield if you were to annualize those returns over an entire calendar year.

Meanwhile, it’s using its surplus cash to retire debt and reinvest in future production.

During the second quarter, it issued $750 million of senior notes while retiring $1.3 billion of short-term debt and another US$140 million of higher-yielding maturing debt.

On top of that, it also managed to set a new record for production in the second quarter, increasing upstream production to 803,900 bb/d from 661,700 bb/d in the year-ago quarter, thanks in part to its continued ramp up at Fort Hills.

Foolish bottom line

Currently, SU shares yield 4.39% annually following dividend increases of 16% in 2019, 13% in 2018, and 10% in 2017.

However, in light of expected higher operating cash costs and the government of Alberta’s mandated production curtailments, investors may want to temper expectations around what a dividend hike in 2020 could end up looking like.

But at the same time, those investors will also want to give credit where it’s due and recognize this is a company that’s continued to make increases to its dividend even during setbacks, such as the period between 2014 and 2016 when energy prices were plummeting and threatening to make record lows.

Careful planning and a disciplined capital-allocation strategy have helped Suncor get this far.

Investors may want to use the market’s latest spell of weakness to opportunistically snap up shares in this leading Dividend Aristocrat stock.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)

2. 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

Date
2025/09/07
Date Created
2019/07/30
Author
jphillips