



TFSA Investors: Supercharge Your Income With This Undervalued, High-Yield Stock

Description

The energy sector has been battered. Few companies in the Canadian oil patch are doing well, and **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) is one of them. By buying Suncor [in your Tax-Free Savings Account](#) (TFSA) you can get a succulent dividend yield and lucrative price gains without paying any taxes!

Highly profitable

Suncor benefits from its large-scale and diversified operations. In the trailing 12-month (TTM) period, the \$59 billion market cap company — the largest among its peers — brought in revenue of more than \$38 billion that translated to operating income of \$6.7 billion and net income of \$5.7 billion.

Suncor's integrated business model allows it to optimize profits along the energy value chain from the ground to the gas station. Therefore, the company is profitable, even in today's challenging, low energy pricing environment. This makes Suncor stock a top choice for conservative investors.

Dividend growth

A testament of Suncor's strength is its dividend-growth track record; the large-cap company has increased its dividend for 16 consecutive years with three-, five-, and 10-year dividend-growth rates of 8%, 15%, and 22%, respectively. Its last dividend increase in the first quarter was 17%. This goes to show that the company is committed to increasing its dividend.

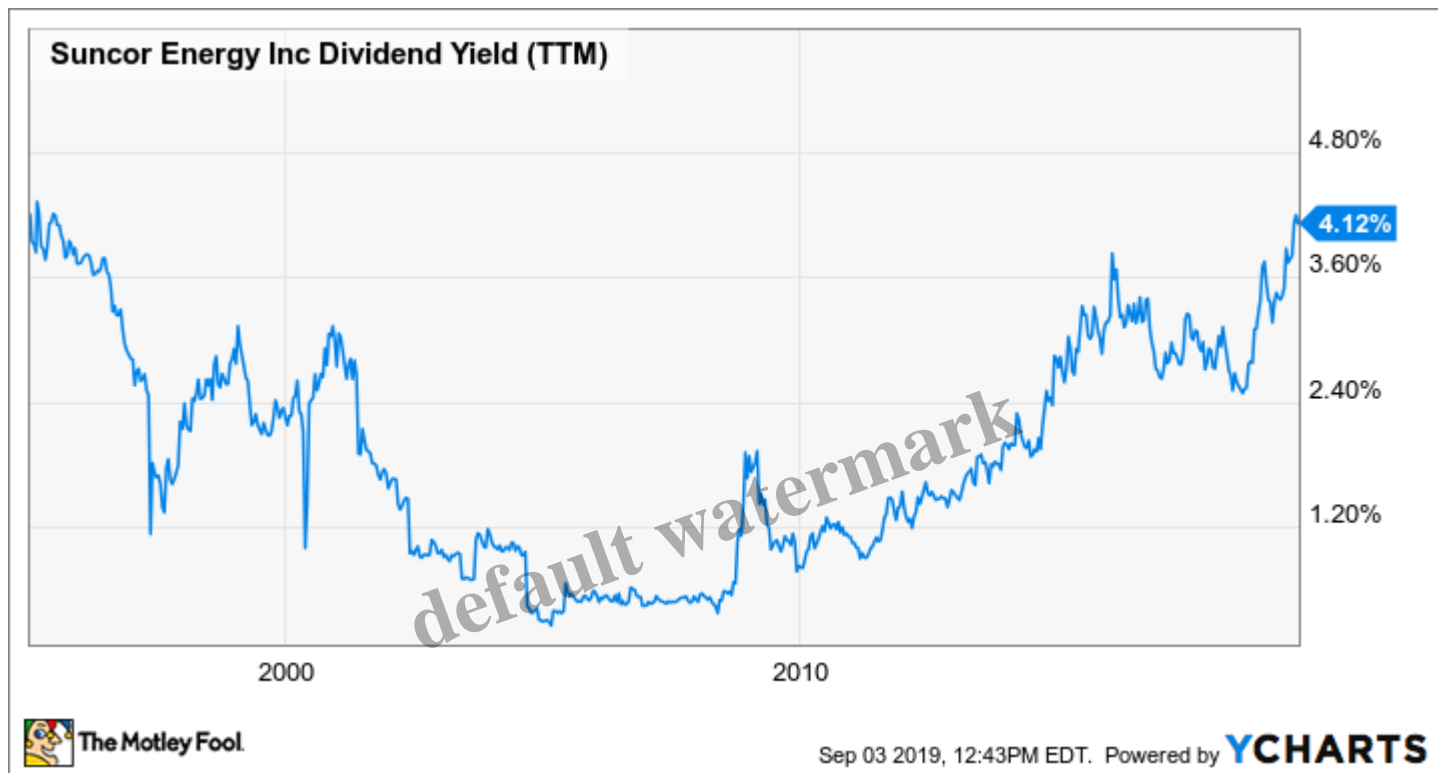
The reason Suncor's dividend-growth history is so admirable is that it's gushing cash. In the TTM, Suncor generated \$12.4 billion of operating cash flow and nearly \$7.8 billion of free cash flow but only paid out 32% of its free cash flow as dividends.

With strong cash flow generation and an A-grade balance sheet, Suncor can keep increasing its dividend. Currently, the blue-chip energy stock offers a juicy yield of 4.4%, while investors wait for price

appreciation.

The key to getting high returns from SU stock

SU stock serves as a prime example for the adage of buying low and selling high due to the cyclical nature of the sector. Right now, it's obviously selling at a low, as it offers a very attractive dividend yield from its historical levels.



SU Dividend Yield (TTM) data by YCharts.

Analysts have a mean 12-month target of \$53.20 on the stock for near-term upside potential of 40%.

Investor takeaway

Suncor has Warren Buffett's stamp of approval. He has US\$300 million invested in the stock through **Berkshire Hathaway**. I've showed that Suncor's dividend-growth track record is incredible and its high yield of 4.4% is sustainable. All investors have to do is buy the stock, sit on it patiently, collect the dividends, and wait for the price appreciation to materialize.

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