



Money Is Rolling Back Into These 3 Value Energy Stocks

Description

This may be the turnaround that investors have been waiting for in energy stocks. Recently, money has started rolling back into these value dividend stocks. Despite the rally, the following dividend stocks still offer excellent value and very attractive dividends to boost returns.

Suncor Energy

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) stock is up 12% from its August low.

[Suncor](#) benefits immensely from its large-scale and diversified operations. It's able to optimize profits along the energy value chain from the ground to the gas station, allowing the company to be a cash cow.

In the trailing 12 months, Suncor generated more than \$12 billion of operating cash flow, resulting in nearly \$7.8 billion of free cash flow, from which it only paid out 32% as dividends.

At \$40.60 per share, SU stock trades at a cheap valuation of six times cash flow. The analyst 12-month average price target of \$53 per share indicates upside of 30% is possible in this conservative name.

The stock offers a safe 4.1% yield, as investors wait for the full rally. Its dividend track record is incredible. Specifically, Suncor has increased its payout for 16 consecutive years through the last recession and through the energy price collapse in 2014. Its five-year dividend-growth rate of 14.6% is amazing, too, thanks to its cash-cow characteristic.



Canadian Natural Resources

From its August low, **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) climbed 13% but is still 29% below its 2018 high.

It was the second-largest holding in the Canadian stock portfolio of the Canada Pension Plan Investment Board (CPPIB) at the end of the first quarter. At the time, CPPIB had 28,797 shares of the stock, which equates to roughly \$986 million at the recent quotation of \$34.24 per share.

CNQ boasts having industry-leading free cash flow generation. In the trailing 12 months, it generated more than \$8.8 billion of operating cash flow, resulting in more than \$4.6 billion of free cash flow, from which it only paid out 36% as dividends.

The stock offers a safe 4.4% yield while investors wait for price appreciation. Its dividend track record is extraordinary. Specifically, [Canadian Natural Resources](#) has increased its payout for 18 consecutive years through the last recession and through the energy price collapse in 2014. Its five-year dividend-growth rate of 18.4% is amazing, too, thanks to its cash-cow characteristic.

CNQ stock currently trades at a cheap valuation of 4.2 times cash flow. The analyst 12-month average price target of \$46.3 per share indicates upside of 35% is possible in this large-cap name.

Birchcliff Energy

Birchcliff Energy ([TSX:BIR](#)) appreciated 25% from its recent low. With small-cap stocks such as Birchcliff, insider buying has a stronger impact on the share price.

Particularly for Birchcliff, this year, multiple insiders bought the common shares between \$1.90 and \$3.50 per share directly or indirectly. Currently, the stock trades at less than the midpoint of about \$2.70 per share, which suggests there's room for upside.

At \$2.26 per share, BIR stock trades at a dirt-cheap valuation of 1.8 times cash flow versus the normal multiple of 7.8 times, which implies the possibility of quadrupling your investment! That's the long-term target.

For the near term, the analyst 12-month average price target of \$4.70 per share indicates that doubling your investment is possible.

The stock also offers a nice 4.6% yield for the wait. In the trailing 12 months, Birchcliff generated more than \$350 million of operating cash flow, resulting in more than \$58 million of free cash flow and supporting its dividend with a free cash flow payout ratio of 60%. Notably, management also instilled investor confidence by raising the dividend by 5% in February.

Foolish takeaway

Suncor Energy, Canadian Natural Resources, and Birchcliff Energy have recovered nicely from their lows. However, they're still trading at substantial discounts.

If the rally persists, we can easily see double-digit rates of returns from stock price appreciation alone within the next six to 12 months. Furthermore, their dividends will also add to the already lucrative returns potential.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:BIR (Birchcliff Energy Ltd.)
4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:SU (Suncor Energy Inc.)

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