Suncor (TSX:SU) Stock: 1 of the Cheapest TSX Stocks on Sale!

Description

The Canadian stock market has recovered from the pandemic market crash last year and exceeded the pre-crash levels by about 11%. There are few stocks on the **TSX** that still trade at a bargain.

Among the safer group, large-cap stocks (versus smaller caps), **Suncor** (TSX:SU)(NYSE:SU) stock stands out as one of the cheapest TSX stocks on sale right now.

Suncor stock dragged down by its 2020 dividend cut

The biggest weight on the energy stock is likely its dividend cut. Previously, it was a Canadian Dividend Aristocrat. Unfortunately, it cut its quarterly dividend by 55% in May 2020. (On a trailing 12-month basis, its dividend is 51% lower.)

Because Suncor Energy stock slashed its dividend, many of its long-term income investors abandoned the stock. This pushed the already depressed stock during the pandemic down by another third!

Investors' confidence in the company can only be restored when the dividend stock reignites dividend growth and persistently does so for some time. Perhaps it would take a couple of years of dividend increases for these long-term investors to come back.

Meanwhile, the dividend stock trades at a bargain relative to the market. While the market appears to be fully valued, Suncor stock has nearly 31% upside potential over the next 12 months according to the consensus analyst price target.

It also trades at a discount to **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ), which is a large-cap energy stock that Suncor is often compared to.

CNQ trades at a smaller discount partly because it incredibly maintained dividend growth through the pandemic. Analysts expect 22% near-term upside in the name. CNQ's juicy dividend yield of approximately 5% is also quite attractive.

In comparison, Suncor stock's decent yield of 3.3% doesn't appear as compelling. However, analysts can boost Suncor stock's price target when it resumes dividend growth, which would signify the stock's recovery path is well underway.

Get bigger dividends from these energy stocks

Suncor and CNQ are more affected by the price volatility of the underlying commodities. Large-cap energy infrastructure stocks like **Enbridge** and **TC Energy** generate much more stable cash flow and safer (and bigger) dividends. As a result, ENB and TC Energy stocks trade at smaller discounts than Suncor and CNQ.

Currently, Enbridge yields 7.2% and has about 12% near-term upside. TC Energy yields 5.8% and has 12-month upside potential of roughly 15%. If you're looking for safer income in the energy space, consider the likes of Enbridge and TC Energy first.

The Foolish takeaway

Suncor Energy stock is a unique opportunity in the stock market. It's a diversified large-cap integrated oil and gas company that was whipsawed during the pandemic. Its balance sheet remains in good standing, though, as S&P rewards it with an investment-grade credit rating of BBB+.

Suncor stock cut its dividend by about half last year. However, that can be an opportunity in itself. Because of the cut, the stock is depressed and has the potential to resume dividend growth in the future. When it does, its fair valuation will increase, which could result in even greater expected price gains than the 30% range. That is, price gains in the 50% range are possible!

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1. Dividend Stocks
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