2 Cheap Energy Stocks With Great Dividends to Buy in September

Description

The overall market is trading near record highs, but Canadian energy stocks appear to be oversold right now and could deliver huge returns for dividend investors in 2022.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is benefitting from the rally in energy prices. The company owns a broad range of production assets, including oil sands, conventional heavy oil, light oil, offshore oil, and natural gas.

CNRL is somewhat unique among the big Canadian oil producers in that it tends to own its facilities outright rather than partnering with other companies to spread out the costs and risks. The benefit of the strategy is the flexibility to quickly shift capital to high-return opportunities as market prices change.

CNRL generates significant revenue in the current market conditions. The company reported Q2 2021 cash flow from operating activities of $2.94 billion. Adjusted net earnings came in at $1.48 billion.

CNRL is not shy when it comes to doing strategic deals to boost long-term growth. The company made three acquisitions in the first half of 2021. Two occurred on the natural gas side of the business with the addition of assets in British Columbia. Natural gas has a bright future, and CNRL's Canadian portfolio is positioned well to benefit from strong demand and higher prices.

Management is targeting annual free cash flow of $7.2-7.7 billion for 2021. The board raised the dividend by 11% for the year and a similar, or even higher, increase should be on the way in 2022.

The stock trades near $42 per share at the time of writing. That's down from the 2021 high around $46. Investors who buy now can pick up a 4.5% dividend yield and wait for the market to realize how much profit this company has the potential to generate in the next few years.

TC Energy

TC Energy (TSX:TRP)(NYSE:TRP) doesn't produce oil or gas. It simply moves the products from the producers to their customers. The energy infrastructure sector is under some pressure due to growth concerns. Government and political opposition to large new pipeline projects make it hard for TC Energy and its peers to grow organically. That being said, TC Energy has a $21 billion capital program underway that should drive cash flow growth to support annual dividend increases of at least 5% for the next few years.

TC Energy has a market capitalization of more than $55 billion. This gives it the flexibility to make acquisitions to drive growth in addition to the internal projects. Existing pipelines should be worth more in the current environment, and TC Energy has an extensive and strategic natural gas pipeline networks across Canada, the United States, and Mexico.

The stock looks cheap at the current share price of $60. It was $75 before the pandemic. Investors who buy now can pick up a 5.8% dividend yield.

The bottom line

CNRL and TC Energy pay above-average dividends that should continue to grow at an attractive pace. The stocks appear undervalued right now in an otherwise expensive market. If you have some cash to put to work, CNRL and TC Energy deserve to be on your dividend buy list.

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2. NYSE:TRP (Tc Energy)
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