



2 Top Energy Stocks to Buy in November 2021

Description

The rally in energy stocks over the past 12 months caught many people by surprise. Those who missed the surge are wondering which top TSX oil and gas stocks are still [undervalued](#) and good to buy.

Suncor

Suncor ([TSX:SU](#))([NYSE:SU](#)) reported strong Q3 2021 results and announced a massive dividend increase. The news sent the share price soaring, but more gains should be on the way.

Suncor generated \$2.64 billion in funds from operations in the latest quarter, up from \$1.17 billion in the same period last year. Operating earnings came in at \$1.04 billion compared to a loss in Q3 2020. Net earnings were \$877 million.

Suncor is Canada's largest integrated energy company. It is best known for its oil sands production sites, but it also has four refineries and about 1,500 Petro-Canada retail locations. These downstream operations, as they are commonly called, took a hit last year when fuel demand plunged. Now that the economy is opening up again the refining and marketing group is back on track. The division generated \$947 million in funds from operations in Q3, marking the third best Q3 results in the company's history for the segment. This comes even as gasoline and diesel demand remained about 7% below Q3 2019 levels. As airlines boost capacity and commuters start heading back to the office, fuel demand should continue to recover in 2022.

Suncor's production division also performed well, despite operational challenges at two of the oil sands sites. Production rose more than 13% to 698,600 barrels of oil equivalent per day (boe/d) compared to Q3 2020.

Suncor is buying back up to 7% of its common stock through the end of January 2022. The board also announced a 100% increase to the dividend. This brings the payout to the 2019 level. It wouldn't be a surprise to see another large increase in the first half of 2022.

The new annualized payout of \$1.68 per share provides a 5.2% yield at the current share price of \$32.25.

Canadian Natural Resources

Canadian Natural Resources ([TSX:CNQ](#))([NYSE:CNQ](#)) is set to report Q3 2021 results on November 4. Investors might want to buy the shares before the earnings are announced.

CNRL is firing on all cylinders this year. The company is not only an oil company; it is also a major producer of natural gas. The prices of oil and gas have both surged in 2021, and the outlook for 2022 appears positive. Natural gas shortages in Europe and other regions that have little or no domestic supply are likely to invest in new storage facilities in the coming years. At the same time, many countries are switching from coal and oil to gas-fired power production, as they transition to renewable power.

Liquified natural gas (LNG) facilities enable natural gas producers such as CNRL to export their product to high-priced international markets.

CNRL reported robust revenue, profits, and free cash flow in Q2 2021. The third quarter numbers will be strong, and guidance for Q4 and the first part of 2022 should be positive. It wouldn't be a surprise to see the company say free cash flow for 2021 will top \$8 billion.

CNRL raised its dividend by 11% for 2021. An announcement on the increase for 2022 might not come until the Q4 results are reported. Based on the gusher of free cash flow, an increase of 20% or higher wouldn't be a surprise. The board might even decide to announce another increase with the Q3 numbers. If that happens, the stock could catch a new tailwind.

Investors who buy at the current price of \$53.50 can pick up a 3.5% yield.

The bottom line on top energy stocks

Suncor and CNRL are leaders in the Canadian energy sector. The companies have strong balance sheets and the financial firepower to invest in necessary carbon-sequestration facilities and other [ESG](#) projects in the coming years to meet their net-zero goals.

If you are an oil and gas bull and have some cash available, these stocks deserve to be on your buy list.

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2. NYSE:SU (Suncor Energy Inc.)

3. TSX:CNQ (Canadian Natural Resources Limited)
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aswalker

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