



Should You Buy Suncor (TSX:SU) or Canadian Natural Resources (TSX:CNQ) Stock Now?

Description

Suncor ([TSX:SU](#))([NYSE:SU](#)) and **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) are leaders in the Canadian energy sector. Investors who are bullish on oil and gas want to know if one is [undervalued](#) and deserves to be on their buy list today.

Suncor

Suncor is Canada's largest integrated energy company with production, refining, and retail businesses. The structure provides Suncor with a hedge against falling oil prices during times of normal fuel demand. Lower input costs can boost margins for refineries on the sale of the finished products. Lower oil prices also tend to translate into cheaper gasoline prices, which often leads to more visits to gas Suncor's gas stations.

The model broke down last year when commuters started working from home and airlines cut more than 90% of their capacity, but fuel demand is rebounding and the trend should continue through 2022.

Suncor reported strong Q3 2021 results and the board raised the dividend by 100%. That sounds great, but the company reduced the payout by 55% in 2020, so the move simply gets the dividend back to the 2019 level.

Suncor is also paying down debt and buying back more stock. The company says it will hit its 2025 debt reduction target by the end of 2021. With more cash to spend, the board increased the current share buyback program to 7% of the stock.

Suncor trades near \$32 per share at the time of writing and provides a 5.3% dividend yield. The stock appears undervalued based on the recovery in the downstream operations and the outlook for next year. Suncor traded for \$44 per share before the pandemic at a time when the price of oil was much lower than it is today.

Canadian Natural Resources

CNRL arguably owns the best portfolio of oil and gas assets in the Canadian energy sector. The company has oil sands, conventional heavy oil, conventional light oil, offshore oil, natural gas and gas liquids production facilities. CNRL is the sole owner of its assets in most cases, so it has the flexibility to shift capital around quickly to take advantage of changes in commodity prices.

The company is best known as an oil play, but CNRL is a major producer of natural gas, as well, and owns significant land positions in key natural gas basins. The future of natural gas looks positive as the world moves to transition to renewable energy. Natural gas emits less carbon dioxide than oil or coal when burned to produce electricity. As a result, many countries are shifting to natural gas as they ramp up investment in solar, wind, and geothermal power production.

While renewable energy sources will eventually be the main suppliers of power, countries are realizing that complementary fuel-fired power will still be needed to meet demand surges or to cover times when the wind drops and the sun gets blocked by clouds.

Canadian Natural Resources is a profit machine in the current market conditions. The board didn't cut the dividend in 2020. It then raised the payout by 11% in 2021 and just announced a 25% dividend hike for 2022.

CNRL is a dividend-growth star with a compound annual dividend growth rate of 20%.

The stock trades near \$52 per share at the time of writing compared to the 2021 high of around \$55. Investors can pick up a 4.5% dividend yield.

Is Suncor or CNQ a better stock to buy today?

Suncor and CNRL are both top energy stocks paying attractive dividends that should continue to grow in the coming years.

Oil and gas bulls might want to split a new investment between the two stocks on additional market weakness. If you only buy one, I would make Suncor the first choice today. The stock appears undervalued right now and offers a better dividend yield.

CATEGORY

1. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

PP NOTIFY USER

1. arosenberg
2. aswalker

Category

1. Investing

Date

2025/07/26

Date Created

2021/11/19

Author

aswalker

default watermark

default watermark