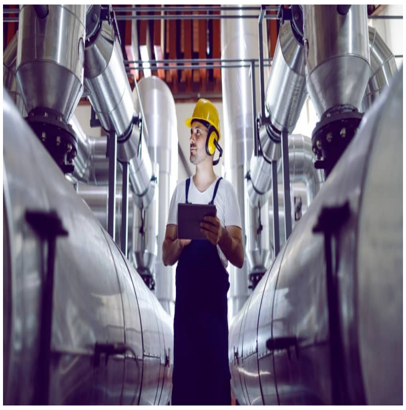

2 Top Canadian Energy Stocks That Just Doubled Their Dividends

Description

Throughout 2021, energy stocks have been some of the best investments Canadian investors could have made.

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Oil prices have soared by roughly 60% this year. At the start of the year, WTI oil prices sat just below US$50 a barrel. Today, oil is sitting just below US$80 a barrel.

In addition, oil prices are now the highest they've been since 2014 and considerably higher than before the pandemic. So, finally, energy stocks, which were some of the last to start recovering from the pandemic, have been starting to do so.

While the energy sector has seen a strong improvement all year, it's been lately that the biggest gains have come. Increasing inflation has sent prices soaring, and producers are reaping the benefits.

This has led to a significant increase in margins, especially for the top companies in the industry. So, here are two top Canadian energy stocks trading at attractive valuations that each just doubled their dividends.

Cenovus: A massive energy refiner and producer

Cenovus Energy (TSX:CVE)(NYSE:CVE) is one of the largest energy stocks in Canada, with a market cap north of $30 billion. The company has been taking full advantage of the strength in the energy sector this year, and its third-quarter earnings were very impressive.

Of course, the biggest announcement was a doubling of its dividend. However, the company also said it could buy back up to 10% of its shares over the next year.

The Canadian energy stock produced over 800,000 barrels of oil equivalent per day (BOE/d) in the quarter, which beat estimates by 4%. In addition, it also beat estimates on its funds from operations per share, showing just how much cash flow Cenovus is generating in this environment.

Since these earnings and the doubling of its dividend, the Canadian energy stock has rallied by almost 10%. However, it's still slightly undervalued, making it an excellent investment today.

At current prices, Cenovus trades at a forward enterprise value (EV) to debt-adjusted cash flow (DACF) ratio of just 3.6 times. That's considerably cheaper than the average of its peers.

So, if you're looking for a Canadian energy stock to consider buying today, Cenovus is one of the best to consider.

Suncor: A top Canadian energy stock for long-term investors

Suncor Energy (TSX:SU)(NYSE:SU) is another massive blue-chip energy stock that's been taking advantage of the current environment. Just like Cenovus, it doubled its dividend during its recent earnings report. Furthermore, it also said it could buy back up to 7% of the shares outstanding over the next year.

Suncor also exceeded the consensus expectations for production, with nearly 700,000 BOE/d produced in the quarter. However, the bigger takeaway for investors is the significant increase in its margins this year, which is leading the stock to earn a tonne of cash flow.

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And now, with the doubling of its dividend, Suncor stock offers an appealing yield of 5.3%. Plus, it currently trades at a forward EV/DACF ratio of 4.3 times, which is slightly above Cenovus but still cheaper than several of its peers.

Bottom line

With the pullback in oil prices this week, these energy stocks have fallen slightly from their highs, offering investors an excellent discount to buy today. So, if you're looking for a high-quality Canadian energy stock to buy and hold long term, now is a great time to invest, and these are two of the best to consider for your portfolio.

CATEGORY

1. Energy Stocks
2. Investing

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1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CVE (Cenovus Energy Inc.)
4. TSX:SU (Suncor Energy Inc.)

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