



Oil Stocks Will Deliver a Dividend Bonanza

Description

Energy stocks are poised for record-breaking dividend hikes this year. Canada's largest oil and gas companies are swimming in free cash flow, and they're about to hand much of it back to shareholders. **Cenovus** has already declared a 200% dividend boost this week. Here are some other major oil stocks that could do the same in the months ahead.

Suncor

Canada's largest oil producer **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) has delivered decent returns over the past year. The stock was up 45% in 2021 and is up another 38% year to date. However, these returns are far lower than the rest of the Canadian energy sector.

This morning, Paul Singer's Elliott Management sent a letter to Suncor's board requesting changes to their strategy. Singer is a famous activist investor who has a reputation for unlocking value in underappreciated assets. The letter claims that Suncor stock has lagged behind the rest of the Canadian energy sector. By changing strategy and boosting dividends, the team sees over 50% upside in the stock.

Suncor already offers a [3.7% dividend yield](#). If the Elliott plan is implemented, this yield could surge much higher. Dividend-seeking investors should keep an eye on this stock.

Enbridge

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) is another Canadian energy stock that could heat up amid a surge in oil prices to eight-year highs. Due to the Russia-Ukraine war, oil and gas supply constraints have set the company for yet another impressive year as prices tick up. The stock is already up by more than 17% year to date, affirming renewed investor interest.

Enbridge has carved a niche backed by one of the largest pipeline networks in North America. It currently handles nearly a fifth of all crude oil consumed in the United States. Its pipelines transport

close to 25% of all oil produced in North America.

Therefore, the top Canadian pipeline company is benefiting from higher commodity prices and increased demand for energy transportation. The easing of the COVID-19 pandemic has spurred economic activity and movement across the country, all but fueling demand for oil and gas.

The energy infrastructure company is backed by an attractive business model with attractive and stable cash flows. Over the years, it has generated significant free cash flow, which has allowed it to increase its payout, leading to a dividend yield of 5.9%. Consequently, it is an attractive play for any investor looking for inflation-resistant income on the side.

While the stock has gained significantly over the past year, it still has a lot of room to move upwards, thanks to excellent fundamentals and forward-looking prospects. The stock is trading with a price-to-earnings multiple of 20, which is still attractive considering the tremendous opportunities amid a surge in commodity price to multi-year highs.

Bottom line

Oil stocks like Enbridge and Suncor will deliver a dividend boost this year. The question is how big these hikes are likely to be. Income-seeking investors should keep a close eye on the sector.

CATEGORY

1. Energy Stocks
2. Investing

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