



Suncor (TSX:SU) vs. Tourmaline Oil (TSX:TOU): Buy Both?

Description

Energy stocks are [hot picks](#) in 2022, as most industry players benefit from the favourable pricing environment. Despite the nearly 2% drop early this week, the sector's year-to-date gain is over 44%. **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **Tourmaline Oil** ([TSX:TOU](#)) were beaten-down stocks in 2020 but are high flyers this year.

Since the first is an [oil sands king](#) and the second is natural gas producer, you can buy and combine both in your portfolio for [capital gains](#) and dividend income. In Q1 2022, the two companies reported killer earnings as the surge in oil prices continue.

Oil sands king

Suncor generated \$4.1 billion in adjusted funds from operations in Q1 2022, the highest ever in a quarter in the company's history. The \$64.7 billion integrated energy company also reported net earnings of \$2.94 billion — a 259% increase from Q1 2021. Free funds flow reached \$3 billion compared to \$1.3 billion in the same quarter in the previous year.

According to management, delivering competitive and sustainable returns to shareholders is its top priority. The key to achieve the goal is Suncor's ability to execute its near-term plans. It can maximize the value of the core integrated assets by optimizing the asset portfolio.

Suncor will partner with **ATCO** to build a world-scale hydrogen facility in Alberta and deploy next-generation renewable fuel technologies. Little added, "We are also sharpening our focus on our base business and areas complementary to our base business, which will drive long-term value for our shareholders."

Active natural gas producer

Tourmaline Oil is Canada's largest and most active natural gas producer. The \$23.12 billion investment-grade company produces the lowest-emission and lowest-cost natural gas in North

America. In Q1 2022, total revenue increased 70% to \$1.71 billion versus Q1 2021.

While the year-over-year increase in net earnings was only 5%, cash flow reached a record \$1.075 billion. The average production of 507,059 boepd during the quarter was also a new record. For 2022, management forecast a free cash flow of \$3.9 billion.

Another highlight for the quarter was the successfully transition of all drilling rigs under contract from diesel to natural gas. As a result, Tourmaline achieved a material emissions reduction and net cost savings. The company plans to implement material emission reduction opportunities at its gas plants from 2025 to 2030.

Dividend comparison

Suncor lost its Dividend Aristocrat status but has regained investor confidence in 2021. On May 9, 2022, management announced a board-approved 12% dividend hike. If you invest today, the dividend yield is 3.52%. In Q1 2022, the company paid \$601 million in dividends and repurchased \$827 million worth of shares.

Tourmaline pays a modest 1.11% dividend, although the trailing 12-month yield is 7% to include a special dividend. Because of the expected significant free cash flow in 2022, management plans the payment of quarterly special dividends for the rest of the year.

Excellent commodity stocks

Suncor Energy and Tourmaline Oil trades at \$45.28 and \$68.75 per share, respectively. While the former pays a higher yield, the latter outperforms year to date at 74% versus 45%. You'd have a pair of excellent commodity stocks.

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1. Energy Stocks
2. Investing

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2. TSX:SU (Suncor Energy Inc.)
3. TSX:TOU (Tourmaline Oil Corp.)

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