



Top Canadian Oil Dividend Stocks

Description

Just like every other stock on the market, top Canadian [oil stocks](#) suffered selloffs during the COVID-19 pandemic market crash that hit a low in March of 2020. The spike in oil prices this year has driven top Canadian oil stocks to make new heights. Let's take a closer look at these hot [energy stocks](#).

Parex Resources stock

Parex Resources ([TSX:PXT](#)) is an interesting oil stock. It's listed on the **TSX**, but it's the largest independent oil and gas company in Colombia. So, it enjoys premium Brent oil prices. It lost substantial revenue when there were economic shutdowns during the COVID-19 pandemic in 2020 but its revenue almost fully recovered by 2021. That year, its operating income also fully recovered to US\$533 million.

As an oil-weighted producer (about 96% oil) that benefits directly from higher commodity prices, the company is destined for substantial free cash flow generation in this period. Its trailing-12-month free cash flow generation was over US\$339 million, which was a jump of almost 57% versus the normal levels in 2019.

The oil stock only started paying a regular quarterly dividend in September 2021 and it has already doubled the dividend to \$0.25 per share. This is, of course, thanks largely to the favourable backdrop of its current operating environment. When it reported its first-quarter results this month, Parex also increased its midpoint production guidance for this year from 53,000 to 55,000 barrels of oil equivalent per day (boe/d) to take advantage of higher prices.

Even if oil prices drop to the US\$60-70 per barrel level, Parex Resources is still positioned to do well. The longer oil prices remain at high levels, it'll reign in considerable cash flow that will usher its stock price higher. Analysts' 12-month consensus price target of \$42.83 suggests an impressive upside potential of about 50%. Its decent yield of 3.5% will also boost returns.

Whitecap Resources stock

If, for whatever reason, you prefer to invest close to home, you can consider **Whitecap Resources** ([TSX:WCP](#)) stock. It's another oil-weighted oil and gas producer that pays a similar dividend yield of 3.2%.

You may recall that Whitecap Resources combined with TORC Oil and Gas and absorbed its quality assets. This is the primary reason that Whitecap's revenues jumped 85% to almost \$2.7 billion in 2021 from the normalized 2019 levels. Similarly, its operating income tripled to over \$840 million from 2019 to 2021.

In the trailing 12 months, the energy stock generated considerable free cash flow of over \$717 million. In this period, it only paid out dividends that were a little more than one-fifth of this cash flow.

About a month ago, this analyst had the following thoughts:

"Whitecap is one of the better managed producers in the sector. It'll continue to do well over the next couple of years. Even at today's price [about \$10.50], there's a possibility for good capital appreciation over the next three to five years. Its market cap is over six billion. It's a good, solid company. Whitecap will continue to benefit from energy demands."

Michael Sprung, president of Sprung Investment Management

Analysts' 12-month consensus price target of \$14.91 implies a decent price gain potential of roughly 30%. The oil dividend stock pays out a monthly dividend, which will help add to total returns.

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