The 3 Biggest Canadian Energy Stocks in the Correction Zone

Description

TSX energy stocks have been down since June, thanks to depressing oil prices. However, energy market fundamentals still suggest oil at triple digits or probably even higher. So, this could be the time to grab those massively corrected stocks. Here are the three biggest Canadian energy stocks that have fallen more than 15% from their recent highs.

Canadian Natural Resources

Canada's biggest energy company by market cap, **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ), is one appealing bet for energy investors. The stock has dropped 16% in the last three months but still has returned 50% this year.

There has been substantial earnings growth Canadian Natural has seen since the pandemic. Apart from the earnings growth, its balance sheet improvement has been more critical, which has led to massive value creation.

CNQ will likely see superior earnings growth for the third quarter (Q3) of 2022 as well, as oil prices are still way higher than last year. So, investors might see continued margin expansion and free cash flow growth. As a result, higher dividends or another special could follow soon.

Apart from the shareholders' total return, the fundamental developments signal how the sector as a whole has enriched since the pandemic. The energy sector was once used to be one of the riskiest in the broader markets. However, in the last few quarters, consistent steep free cash flow growth and massive deleveraging have made them some of the investors' favourites.

Suncor Energy

Canada's oil sands giant **Suncor Energy** (TSX:SU)(NYSE:SU) has been a long underperformer. It has returned 38% this year and has fallen 20% from its recent highs.

Suncor Energy stock looks well placed and could lose its laggard tag soon. That's mainly because of the strategic changes initiated by activist investor Elliott Management. It has made Suncor Energy sell its non-core assets, which will likely accelerate its deleveraging efforts. The balance sheet could become even stronger. Plus, strong earnings growth and juicy dividends should entice investors.

SU stock currently yields 4.5%, which is in line with its peers. Suncor has not increased dividends at the same pace as its peers. However, there is large room for dividend growth, and we might see some growth in the next few quarters.

Cenovus Energy

At $49 billion market cap, **Cenovus Energy** (TSX:CVE)(NYSE:CVE) stock is Canada's third-biggest energy company.

The second quarter of 2022 was the period when energy companies saw record earnings growth. Cenovus Energy reported free cash flows of $2.3 billion in the second quarter of 2022, marking a handsome 77% growth year over year. Like peers, Cenovus saw its balance sheet improving immensely this year.

Cenovus Energy is expected to pay a dividend of $0.42 per share in 2022. That implies an insignificant yield of 1.7%, which is much lower than peers' 4%. As it lowers the debt further, Cenovus will likely increase dividends.

The stock has dropped 20% from its record highs and offers a compelling bet for long-term investors. Its solid earnings prospects and undervalued stock could create meaningful shareholder value.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media

7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. kduncombe
2. vinitkularni20

Category

1. Energy Stocks
2. Investing

Date
2025/08/15
Date Created
2022/09/16
Author
vinitkularni20