



2 Top Energy Stocks to Buy Now

Description

Energy stocks are down from their 2022 highs. Investors who missed the big rally off the 2020 lows are wondering which top [oil and gas stocks](#) are now undervalued and good to buy for a [Tax-Free Savings Account \(TFSA\)](#) or [Registered Retirement Savings Plan \(RRSP\)](#) portfolio.

Suncor

Suncor ([TSX:SU](#)) trades near \$44 per share at the time of writing compared to \$53 in June. The drop gives investors a chance to secure a 4.25% dividend yield and look forward to ongoing dividend hikes or special dividends as the company reduces debt and unloads non-core assets.

West Texas Intermediate oil sells for US\$88 per barrel right now. That's down from US\$120 earlier this year, but it is still a very profitable price for Suncor. The company will likely report strong third-quarter (Q3) 2022 earnings, and the slide in the share price has enabled the board to continue the aggressive share-repurchase program using less cash. This means investors could see a bonus dividend materialize before the end of the year. Suncor increased the payout by 100% late in 2021 and raised the dividend by another 12% when the company reported the Q2 2022 results.

The new management team is making progress on plans to sell non-core assets. Suncor recently announced the sale of its renewable energy assets and is evaluating the option to sell its portfolio of Petro-Canada retail locations. Analysts have suggested the division could fetch \$10 billion.

Suncor looks cheap at the current share price. The stock traded at \$44 before the pandemic when oil was US\$60 per barrel.

Canadian Natural Resources

Canadian Natural Resources ([TSX:CNQ](#)) trades near \$74.50 at the time of writing compared to \$88 earlier this year. The stock now offers a base dividend yield of 4% and solid prospects for special dividends in the coming quarters. CNRL raised the base quarterly dividend by 28% to \$0.75 per share

for 2022. That's on top of a 25% hike that occurred late last year. In addition, CNRL paid out a special \$1.50 per share dividend in August as a result of the excess cash on hand at the end of the second quarter.

CNRL continues to reduce debt and buy back stock. As the net debt position falls, more cash should be available for special payouts or increases to the base distribution.

CNRL raised its dividend in each of the past 22 years. This is important for investors who are seeking out reliable dividend stocks for a portfolio focused on passive income. The company has a diverse portfolio of oil and natural gas assets and through its strategy of owning 100% of most of its facilities, can move capital around the portfolio quickly to maximize the impact of changes in commodity prices.

Is one more attractive to buy?

Suncor and CNRL both look undervalued today and should perform well in the next few years amid rising demand for oil and natural gas and limited scope for the industry to meaningfully increase output. I would probably split a new investment between the two stocks right now.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. 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. aswalker
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date

2025/08/24

Date Created

2022/10/14

Author

aswalker

default watermark

default watermark