3 High-Yield Energy Stocks That Could Rise in 2020

Description

2020 is fast approaching. And with a new year comes new investing opportunities. Many investors like to re-evaluate their portfolios around the new year and make last-minute RRSP or TFSA contributions. It makes sense. The start of a new year is a good time to look at your financial picture, since the tax season is right around the corner.

For investors considering a change of approach in 2020, energy stocks are one class of assets to consider. Having been beaten down over the past five years, many of them now trade near 52-week lows. Although the initial selloff in oil stocks after the 2014 crash was arguably justified, the continued weakness of energy stocks is not necessarily so. As you're about to see, many publicly traded energy companies have been increasing their earnings and raising their dividends over the past four years. Many of them could be described as bargains. The following are three that have gotten particularly cheap and could be set to rise in 2020.

Suncor Energy

Suncor Energy is a diversified energy company that manages the entire petroleum supply chain from exploration to retail. The company extracts oil in Alberta and the Atlantic ocean and sells it at Petro-Canada gas stations nationwide. This comprehensive business model means that Suncor earns more from each barrel of oil it extracts compared to other oil and gas companies. It shows in the company's financial results. Over the past four years, Suncor Energy has grown its earnings from $-1.9 billion to $3.3 billion. That's incredible growth, and if oil strengthens, it could easily continue.

Husky Energy

Husky Energy is a diversified energy company that extracts oil and natural gas in Canada and Asia. The company sells a variety of petroleum products at different price points around the world, giving it a measure of diversification.

Over the past three years, Husky Energy has grown its earnings from $-3.9 billion to $1.8 billion. In its most recent quarter, it generated $800 million in funds from operations and $370 million in net earnings. Cash flow from operating activities was $760 million. These figures were down from the same quarter a year before, but looking at things on an annual basis, the numbers are trending upward. HSE pays a dividend that provides a 5.2% yield at current prices.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a pipeline company that ships oil and LNG across the U.S. and Canada. The company operates the world's longest and most complex crude oil pipeline system, with over 17,000 miles of pipe. In recent years, it has been working on a replacement to its Line III infrastructure, which would significantly increase the amount of oil it can transport to the States. The project has faced a number of setbacks but recently scored a major victory when a court refused to hear further challenges to its construction.

As a pipeline company, Enbridge can grow its earnings even when oil is weak. This is a major advantage over extraction/refining companies like Suncor and Husky, which depend on strong oil. The stock is a major income producer, with a sky-high dividend yield of 6.3%.

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