2 Heavyweight Energy Stocks to Buy Cheap

Description

Energy stocks were some of the first to succumb to major turbulence in end of February and beginning of March. The COVID-19 global outbreak compounded with a Saudi-Russian price war that decimated the oil and gas industry. Fortunately, there has been some positive movement for energy stocks in recent days.

That should not entirely calm the minds of investors. A federal bailout may be forthcoming, but producers are still wrestling with cratering prices. Reports indicate that small- and medium-sized producers will receive significant support, as they have been hit hardest by the sharp decline in prices. Canadians can expect legislation that will draw upon the TARP auto bailout in the United States in 2008.

Today, I want to look at two Canadian energy heavyweights that are worth trusting as we move into the month of April. These companies have the infrastructure to survive a low-price environment, and they boast attractive income.

Top energy stock: Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is the largest energy infrastructure company in North America and the largest energy stock by market cap on the TSX. Its shares have dropped 20% month over month as of early afternoon trading on March 31. The stock has now dropped 11% year over year.

The company put together a fantastic 2019, as it posted full-year GAAP earnings of $5.32 billion, or $2.64 per share, compared to $2.51 billion, or $1.46 per share, in the prior year. Each of its core businesses delivered growth in 2019. It also had promising success with some key regulatory wins that will open the door for its deep project pipeline in 2020 and beyond.

Management reiterated its strong dividend-growth target and hiked its quarterly dividend by 9.8% to $0.81 per share. This represents a tasty 8.1% yield. On the value side, Enbridge stock possesses a favourable price-to-earnings ratio of 15 and a price-to-book value of 1.4.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is one of the largest integrated energy companies in Canada, and it has proven robust even in the face of low oil prices in the past. Shares of Suncor have plunged 47% month over month at the time of this writing. The stock is down 52% year over year. It is still one of the most reliable energy stocks on the TSX.

Energy companies like Suncor were already encountering issues due to low prices at the end of 2019. In its Q4 2019 report, Suncor posted funds from operations (FFO) of $2.55 billion — up from $2 billion in Q4 2018. Total E&P production during the fourth quarter increased to 115,900 barrels of oil equivalent per day (boe/d) from 90,200 in the previous year. For all of 2019, net earnings fell to $2.89 billion over $3.29 billion in 2018.

In 2019, Suncor returned $4.9 billion in dividends and share repurchases to shareholders. Suncor last paid out a quarterly dividend of $0.465 per share. This represents a monster 9.8% yield. The stock was up 16.58% at the time of this writing, so the chance to add at current levels may be passing. Its shares now possess a favourable P/E ratio of 11 and a P/B value of 0.7.

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