



TSX Energy Stocks: Today's Top 2 Picks

Description

The energy industry has been hit heavily in the last few weeks, and although there has been some recovery for **TSX** energy stocks, many are still well off their highs.

Investors have been getting more excited about a recovery, as it looks like there may be production cuts coming. However, the level of demand going forward is still unclear. This makes determining where oil prices may go a difficult task.

Because of the heightened risk with commodity prices, buying energy producers at these prices comes with substantial risk. The exception to that is, some of the integrated TSX energy stocks have better cost flexibility.

The TSX energy stocks that are reliable and most valuable today are the pipeline and midstream companies.

These businesses are less impacted by commodity prices and offer investors a more risk-averse investment when compared to producers.

Two of the top TSX energy stocks to consider today are **TC Energy** ([TSX:TRP](#))([NYSE:TRP](#)) and **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)).

TC Energy stock

TC Energy is the pipeline company behind the controversial Keystone XL pipeline. For years, Canada has needed a new pipeline to increase its export capacity, and finally, that looks like it will become a reality.

In addition to helping Canadian producers export their products at more competitive prices, the pipeline will also help TC Energy to grow its business considerably once the project is complete.

Today, the top TSX stock is still a major player in Canada's energy industry. The company owns

natural gas pipelines and power-generating assets in addition to its liquids pipelines.

Companies like TC Energy that operate in industries that are relied upon by other industries are some of the best businesses to own long term. Not to mention the barriers to entry are significant, as evidenced by the lengthy process to get the Keystone XL built. The barriers to entry give TC Energy a competitive advantage and make its existing assets even more valuable.

On top of the strong economics of its business, the company has also been a top growth stock. This rapid growth has allowed TC Energy to increase its earnings before interest, taxes, depreciation, and amortization (EBITDA) considerably.

The stock is still down off its highs but offers a yield of roughly 5% at these prices, making it an attractive [dividend stock](#).

Pembina Pipeline stock

Pembina is another top midstream energy and pipeline stock on the TSX. The company was sold off rapidly initially when oil prices started to tank. However, after the company reiterated the strength of its dividend, investors have been rushing back into the stock.

It still trades at an attractive valuation though, especially when you consider its potential.

Pembina is one of the top TSX energy stocks, capable of providing both capital gains and a significant dividend yield. Its assets include liquids and gas pipelines, gas gathering and processing plants, as well as other infrastructure assets.

In 2019, roughly 85% of Pembina's adjusted EBITDA came [from fee-based revenue](#). That's key because it helps to keep Pembina's revenue healthy and will most likely make up all of its business this year.

The strength in its business is what allows it to be confident in its dividend. Pembina estimates that its payout ratio will still have a significant margin of safety this year, even with the impacts on its business.

As of Wednesday's close, the stock was trading at just over 10 times its trailing earnings. In addition, the dividend yields a whopping 9.25%, giving investors massive potential for significant returns.

Bottom line

There are a lot of high-value energy stocks on the TSX, but these two are some of the most reliable. The revenue they receive is highly stable, their services are essential, and the companies are extremely well run.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:PBA (Pembina Pipeline Corporation)
2. NYSE:TRP (Tc Energy)
3. TSX:PPL (Pembina Pipeline Corporation)
4. TSX:TRP (TC Energy Corporation)

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Author

danieldacosta

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