



## Where to Invest \$3,000 Right Now? These Large-Cap Stocks Are Trading at a Massive Discount

### Description

It is really difficult to decide the kind of investments that are best for your portfolio at a time when markets are swinging wildly. The sell-off in March was unprecedented, but the recovery in the last six months has been equally surprising.

While the rally was supported by an extraordinary upward spiral in technology stocks, there are many others trading at a cheap valuation. We'll look at three such Canadian large-cap companies that can stage a turnaround as we inch closer to 2021.

### Enbridge is an energy giant

If you are looking for a beaten-down energy stock, **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) should be on the top of that list. This Canadian giant has a diversified portfolio of assets that help it generate a stable stream of recurring income.

In fact, Enbridge generates over 95% of cash flows by long-term contracts, which makes the company relatively immune to volatile commodity prices. Further, its contractual-based business model has helped Enbridge increase its dividends at an annual rate of 11% in the last 25 years.

Despite a rough year, the company's dividend-payout ratio for 2020 will be lower than 70% based on the midpoint of its distributable cash flow guidance range. The weak macro environment notwithstanding, Enbridge has forecast distributable cash flow [to grow between](#) 5% and 7% annually through 2022.

Enbridge stock has a forward dividend yield of 8.3%, and given analysts' average target price of \$52, the stock can return close to 45% in the next year, after accounting for its tasty yield.

### Pembina Pipeline is trading at a discount of 37%

Another beaten-down energy stock is **Pembina Pipeline** ([TSX:PPL](#))([NYSE:PBA](#)), a company that has lost 40% in 2020. Pembina is a midstream oil and gas company, which means it does not produce oil but transports and stores the commodity.

Pembina started paying monthly dividends to shareholders in 1998 and has raised its payout for eight consecutive years. The stock now has a forward dividend yield of 8.7% and is trading 37% lower than analyst price target estimates, which means investors can generate 46% in cumulative annual returns.

In the first six months of 2020, Pembina saw a 62% decline in its net income which meant its dividend-payout ratio stood at an unsustainable 132%. However, its EBITDA and adjusted cash flow have increased year over year, making a dividend cut unlikely.

Pembina's investment-grade balance sheet and strong liquidity position coupled with a solid balance sheet make it a top contrarian bet right now.

## Canadian Natural Resources has a forward yield of 7.3%

**Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) is one of Canada's largest oil producers. The stock is trading at \$23.43, which is significantly lower than its 52-week high of \$42.57.

In [the second quarter of 2020](#), CNQ reported a net loss of \$310 million, while its revenue was \$2.87 billion. In the prior-year period, its revenue was \$5.6 billion with a net income of \$2.8 billion.

Despite a sluggish macro-environment and plummeting oil prices, CNQ increased dividends by 13% in March this year which was its 20th consecutive year of dividend increases. The company has, in fact, increased dividends at an annual rate of 20% since 2000, which means its forward yield stands at a healthy 7.3%.

CNQ continues to benefit from a low-cost structure that allows it to navigate the current price environment. The company said it needs the U.S. crude oil benchmark to average \$31/barrel to break even, which means it should report a profit in the second half of 2020, given oil is trading at US\$40/barrel.

Canadian Natural Resources stock is trading 39% below the average analyst trading price.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. NYSE:ENB (Enbridge Inc.)
3. NYSE:PBA (Pembina Pipeline Corporation)
4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:ENB (Enbridge Inc.)

6. TSX:PPL (Pembina Pipeline Corporation)

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