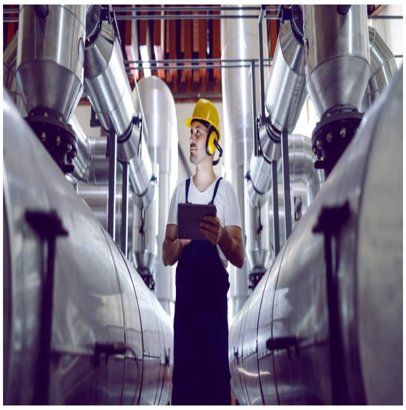

Beaten-Down Energy Stocks: Where to Invest $1,000 Right Now

Description

While the demand-and-supply imbalance and uncertain economic trajectory continue to weigh on energy stocks, I find a couple of names in this space attractive at the current levels. Both these energy stocks have taken a fair beating and offer good value for investors willing to hold these stocks for a medium- to long-term period.

So, if you are looking for good value and have $1,000 to invest, consider buying these beaten-down energy shares listed on the **TSX**.

Good value and an incredible dividend yield

While an uncertain outlook remains a drag on energy stocks, **Enbridge** (TSX:ENB)(NYSE:ENB) offers excellent value to medium- and long-term investors. Its stock has declined about 21% year to date and is trading at a next 12-month EV-to-EBITDA ratio of 11.4, which is well below its historical average forward multiple of 13.3.

Enbridge continues to pay hefty dividends and currently offers a high dividend yield of over 8.3%.

Though the lower mainline throughput remains a drag, its other businesses continue to perform well and support its adjusted EBITDA and distributable cash flows. Further, Enbridge expects demand to show a gradual improvement in the coming months, supporting the upside in its stock.

Enbridge's business remains highly contracted, which reduces the negative impact of the short-term volatility in commodity prices and volumes. Despite challenges, its adjusted EBITDA showed improvement on a year-over-year basis. Moreover, its DCF (distributable cash flow) also increased.

Enbridge has returned a boatload of cash to its shareholders in the form of dividends. Last year, it paid about $6 billion in dividends. Meanwhile, its dividends are growing at a CAGR (compound annual growth rate) of 14%, which is incredible.

With diversified sources of EBITDA, creditworthy counterparties, and contractual arrangements, only a fraction of Enbridge's cash flows are at risk.

The expected improvement in demand, a low forward valuation multiple, and a high yield make Enbridge stock highly attractive at the current levels.

Offering a discount over 62%

With its shares down over 62% on a year-to-date basis, **Suncor Energy** (TSX:SU)(NYSE:SU) is among the top recovery bets in the energy sector. Investors should note that the demand for crude oil is ticking up in two of the world's largest oil-consuming nations, including India and China, which is an encouraging sign. Also, increased coordination among OPEC+ nations is positive, as it would help support the oil prices.

While challenges persist in the near term, Suncor's focus on optimizing its product mix and cost-reduction program is likely to cushion its margins and cash flows. Suncor's increased production of higher-value synthetic crude oil barrels and an expected 10% year-over-year decline in costs should support its bottom line and liquidity. Further, its long-life assets with a low-decline rate and an integrated business provide a strong competitive advantage.

Even though the demand for crude oil remains uncertain, Suncor stock looks attractive at the current levels. Suncor Energy stock currently trades at a forward EV-to-sales multiple of 1.5, which is well below its historical average of 2.2. Moreover, it currently offers a high yield of 5.4%, despite the 55% reduction in its quarterly dividends.

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