Energy Stocks Pop on Vaccine News: Where to Invest $1,000 Right Now

Description

Ailing sectors like energy got a big boost yesterday from the positive development over the coronavirus vaccine. Earlier on Monday, **Pfizer** and **BioNTech** said that their COVID-19 vaccine has proven to be highly effective in preventing the infection, rekindling hopes of a steep recovery in demand for energy companies.

As we inch closer to having a vaccine in reality, the pace of recovery in the beaten-down energy stocks is likely to accelerate, which otherwise would have taken several years. So if you are hunting for bargains and have $1,000 to invest, consider buying the shares of these top **TSX**-listed energy giants while they offer good value.

Suncor Energy

Shares of **Suncor Energy** (TSX:SU)(NYSE:SU) closed 24.7% higher on Monday following the COVID-19 vaccine news. Despite the big jump, Suncor stock is still down about 53.5% on a year-to-date basis and provides an excellent entry point for investors with a longer-term outlook.

Suncor Energy's integrated business model and long life and low decline rate assets provide a strong underpinning for growth. Besides, the recovery in demand and focus on cost containment measures are likely to cushion margins and support the uptrend in its stock.

Suncor stock is trading at a forward EV/EBITDA multiple of 6, which is well within reach and suggests further expansion. Suncor's quarterly dividend of $0.21 per share translates into a yield of 4.4% and is likely to boost your overall returns.

Enbridge

Like Suncor, **Enbridge** (TSX:ENB)(NYSE:ENB) stock is also likely to get a significant boost from the COVID-19 vaccine. With the recovery in demand, I expect Enbridge stock to register significant growth and generate stellar returns in the coming years.

The uptick in energy demand is likely to drive Enbridge's mainline throughput volumes and support its top and bottom line. Meanwhile, continued strength in its core business and cost reductions could lead to higher adjusted EBITDA and distributable cash flow.

Enbridge stock closed 5.6% higher on Monday. However, it's still down about 23% year-to-date and is trading at a forward EV/EBITDA multiple of 11.4, lower than its historical average of 12.6. While Enbridge stock offers good value, its high dividend yield of 8.6% looks attractive.

Enbridge's payouts are backed by its diversified cash flow streams and long-term contracts, implying that its payouts are safe. Moreover, improvement in demand should help the company boost its shareholders' returns through higher dividends in the future.

Pembina Pipeline

With a year-to-decline of about 37%, **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) stock offers excellent value as the recovery theme gathers steam. The pipeline giant operates a low-risk business and generates strong fee-based distributable cash flows supporting its dividend payout.

Pembina Pipeline benefits from the long-term contractual arrangements, which reduces its direct commodity exposure. Meanwhile, its diversified business and creditworthy counterparties support its adjusted EBITDA and fee-based cash flows.

With a recovery in demand, Pembina's liquid volumes are likely to improve and should drive its stock higher. Meanwhile, investors could continue to benefit from its robust dividend payouts. Pembina Pipeline currently offers a dividend yield of 8.9%, which is safe.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks

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1. NYSE:ENB (Enbridge Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:ENB (Enbridge Inc.)
5. TSX:PPL (Pembina Pipeline Corporation)
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