3 Top Canadian Energy Stocks to Buy in 2021

Description

Even after the recent buying in energy stocks, they are trading at a discount and could be top recovery bets in 2021. I believe the crude oil prices are likely to trend higher this year despite the upward pricing pressure, which should drive the recovery in energy stocks. Increased economic activities and vaccine distribution are likely to lend support to the energy companies in 2021.

While energy companies could witness a strong rally in the second half of the year (when the vaccine would be widely available), investors should start accumulating top energy stocks while they are still trading low. Here are three top Canadian energy stocks that could deliver impressive returns in 2021.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) has lost over 45% of its value over the past year and a top **TSX** -listed recovery bet. Vaccine distribution and economic expansion are likely to spur energy demand, support oil prices, driving Suncor stock higher.

I expect Suncor's top and bottom line to show sharp sequential improvement. Its integrated business model and low underlying cost structure position it well to benefit from the higher crude prices.

With the improvement in revenues, normalization in demand, and reduction in operating costs, Suncor could return to profit. Further, the company's debt is reasonable, and it maintains a strong balance sheet.

Notably, the energy giant is expected to boost investors' returns through dividends in 2021. Despite the dividend cut announced last year, Suncor offers a decent yield of 3.6%.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) stock is up about 20% in January this year. However, it is still down over 23% in one year, presenting a good opportunity for investors to buy its shares. Also, it trades at a lower valuation multiple when compared to peers.

While the recovery in demand is likely to support Pembina stock, its highly contracted business protects the downside risk and supports its dividend payments.

The company's exposure to diversified commodities and contractual arrangements reduces risks, drives strong fee-based cash flows, and supports higher dividends. Thanks to its resilient business, Pembina projects its adjusted EBITDA to be in the range of $3.2 billion to $3.4 billion in 2021. The company expects improved volumes in the crude, condensate, and NGL to support its adjusted EBITDA.

Further, the company is projecting to maintain its dividends and boost shareholders' returns. The company has been paying dividends for a very long period and offers a yield of 7%.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) stock has recovered almost all its losses. However, the pipeline company is expected to deliver stellar returns on the back of improved demand. Enbridge projects its liquid volumes to improve in 2021 and drive its top and bottom line.

Meanwhile, continued growth in its gas distribution, storage, transmission business and accelerated growth in the renewable power segment should further support its growth and drive its distributable cash flows.

While Enbridge stock is expected to trend higher in 2021, investors could continue to benefit from its robust dividend payouts. Enbridge has consistently raised its dividends for several years and offers a stellar yield of 7.4%.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks

TICKERS GLOBAL

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

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