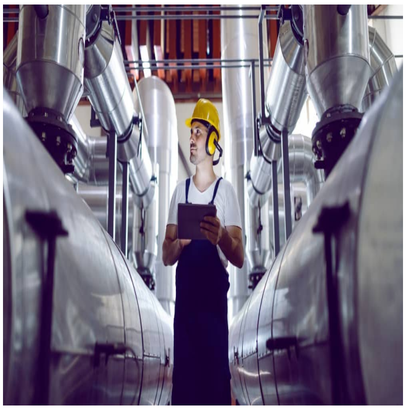

# 2 Top Canadian Energy Stocks to Buy on the Way up

## Description

With growth taking a backseat to the value and reopening plays, beaten-down Canadian energy stocks have become the new momentum stocks. As the green energy bubbles continue to burst, I think many top Canadian fossil fuel stocks will finally have their moment to shine. In this piece, we'll have a look at two top plays that may be worth buying on the back of recent strength in oil prices.



So, in order from least risky to riskiest, consider the following:

## Suncor Energy

**Suncor Energy** (TSX:SU)(NYSE:SU) was tough to hold through last year's vicious selling. The stock crumbled over 64% before bouncing back modestly. Despite the recent bounce in WTI (West Texas Intermediate) prices, the stock remains down over 36% from its pre-pandemic 2020 high.

The company made a mistake in slashing its dividend right down the middle last year — a move that likely lost the firm many fans. I don't think the stock should be punished for doing its best to prepare for the worst, though. The company can always deliver a one-time special dividend hike (perhaps it could double its dividend at some point over the next two years) and win back the folks that jumped to **Canadian Natural Resources**, the new king of the oil sands.

Suncor was Warren Buffett's preferred way to play Alberta's oil patch, and it's clear to see why. It's a resilient operation with solid cash flows, a solid balance sheet, and its valuation that remains absurdly low. In essence, it's one of few swimmers in the oil patch that's swimming with its trunks on. As the tides come back in, I think Suncor is in a great spot to outperform its fossil fuel peers and the "sexy" green energy plays that aren't looking quite so sexy anymore.

The top Canadian energy stock trades at 1.7 times sales and 1.2 times book, with a consensus price target just shy of $34, implying 20% worth of upside from current levels.

## Enbridge

Enbridge is a top Canadian energy stock and pipeline darling that I've been touting in numerous prior pieces. The dividend, which yields 7%, seems too good to be true, but it's not only well supported; it's in a great spot to continue growing at an above-average rate. Enbridge's managers pulled a lot of levers to keep its handsome payout intact, and they're not about to bring it to the chopping block anytime soon. As headwinds continue fading in the energy scene, I suspect Enbridge will be in a spot to continue rewarding its shareholders with big dividend hikes for putting up with extreme levels of volatility.

The latest source of worry has been the Line 5 pipeline, which the state of Michigan shut down. The latest regulatory hiccup, I believe, is nothing more than more noise in a name that's already been plagued by roller-coaster levels of volatility for years. Should Line 5 jitters spark a pullback, I'd look to buy, as the 7% yield is just too good to pass up at today's depressed valuations.

## Foolish takeaway on the two top Canadian energy stocks

Despite the more attractive industry backdrop, Suncor and Enbridge stock still seem too cheap. As value continues to outshine growth, I suspect both names will continue leading the upward charge into year's end.



I wouldn't hesitate to pick up either name, but if you're looking for the best possible value, I'd say Suncor stock is tough to match with shares trading at near their book value. The payout is more modest than that of Enbridge, but I do expect faster and more generous dividend hikes over the next three years.

Stay Foolish, my friends.

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