



3 of the Best Canadian Energy Stocks to Buy in June 2021

Description

Canadian energy stocks have been on a roll in 2021. Over the past 6 months, the **TSX Energy Capped Index** is up 29%. Frankly, it's not really a surprise. After the March 2020 oil crash, Canadian energy stocks were essentially left for dead. There was only upside from there. Even despite the recent run, [valuations are still pretty cheap](#).

Many Canadian energy stocks are better than ever

Fortunately, many of these energy businesses took the pandemic to reduce overall costs, lower debt, and unlock operational efficiencies. Now with West Texas Intermediate (WTI) oil prices consistently above US\$60 per barrel, many of these companies are producing tons of cash every quarter.

In light of the pandemic recovery and more stable energy prices, here three of my top Canadian energy stocks to buy in June 2021.

Suncor: A top Canadian energy stock

Suncor ([TSX:SU](#))([NYSE:SU](#)) looks fairly attractive right here. It financially and operationally took a bit of a stumble in 2020. With energy prices hitting negatives, it took some significant losses and had to drastically reduce its dividend. However, since then, the company has been working hard to right-side its operating model and clean up its balance sheet.

Today, it can now produce oil from its oil sands projects for less than US\$20 a barrel. Likewise, it has incredibly long-life production assets. As a result, this business has a decent margin of safety, should commodity volatility return.

In its recent first quarter, the company produced over \$2 billion of funds from operation. All this is going to [reducing debt and buying back stock](#). This Canadian stock pays a 3% dividend but has failed to enjoy the same recovery as other oil majors. Consequently, I think it looks attractive here.

Pembina Pipeline: An integrated pipeline business

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) is a picks and shovels way to play the recovery in Canadian energy stocks. It operates pipelines connecting Canada to global markets. Pembina also has natural gas processing and midstream operations. It primarily services energy producers in the Western Canadian Sedimentary Basin.

94% of its adjusted EBITDA is derived from fee-based contracts, with only limited exposure to direct commodity pricing. Consequently, the company produces very stable streams of cash flow that allow it to pay a safe (but very attractive) 6.44% dividend.

In a strong energy environment, this Canadian stock benefits from higher volumes in its assets, but also better pricing margins. This company is very conservatively managed and has a good balance sheet. Likewise, it just had \$1 billion of projects come into service and has more coming online in the next few years. All-in, this is a safe way to bet on rising energy prices to come.

Tourmaline Oil: A natural gas leader

Another attractive Canadian stock is **Tourmaline Oil** ([TSX:TOU](#)). Oddly enough, most of Tourmaline's operations are from natural gas production. In fact, it is Canada's largest natural gas producer and the fifth largest natural gas midstream operator.

During the pandemic, the company utilized its strong, low-levered balance sheet to acquire some really attractive assets at fairly low valuations. Today, these investments are paying off. Its first-quarter production and cash flows hit all-time records. It earned \$233 million of free cash flow in the quarter and projects earning a 13% free cash flow yield for 2021.

At this pace, the company could be debt-free in six quarters or less. Likewise, it just boosted its dividend payout. Today, it pays a 2.17% dividend. This company has an expert management team, great assets, and a balance sheet most energy companies dream of. Tourmaline is a great energy stock, nonetheless an all-around great Canadian business.

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5. TSX:TOU (Tourmaline Oil Corp.)

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