



2 Top TSX Energy Stocks That High-Profile Analysts Are Bullish on

Description

The pandemic-induced economic turmoil took a toll on equity markets last year. Energy stocks such as **Algonquin Power & Utilities** ([TSX:AQN](#))([NYSE:AQN](#)) and **Cenovus** ([TSX:CVE](#))([NYSE:CVE](#)) were beaten to a pulp. Indeed, the latter reported a loss of approximately \$1.8 billion last year. That said, both these companies reported significantly better earnings in Q1 2021. And it appears that there's plenty of upside on the horizon.

Now, top analysts appear to be optimistic that both these companies are in turnaround mode. Indeed, the energy and utilities equity team of RBC Dominion Securities added both these companies to its "Global Energy Best Ideas" list.

Here's more on why there's tremendous upside for these stocks.

Algonquin Power & Utilities

The Oakville-based company has a five-year capital-investment program worth approximately \$9.4 billion. This plan focuses on expanding its regulated utility rate base along with increasing its renewable energy capacity.

Algonquin has been able to facilitate the growth of its regulated utilities business organically as well as via mergers and acquisitions. Also, the company's management team has a decent track record when it comes to adding [renewable energy](#) capacity.

Indeed, this company's renewables portfolio attracts a lot of attention. After all, it generates approximately 30% of Algonquin's total revenue. Furthermore, the regulated utilities segment generates a tonne of cash flow that provides a platform for long-term growth and dividend increases. As of today, it has a dividend yield of 4.3%.

Cenovus

Analysts believe that the potential dispositions of non-core assets could prove to be a favourable catalyst for Cenovus stock. Moreover, they expect that the Calgary-based company to fulfill its \$10 billion net debt target at an accelerated pace. Cenovus is likely to take advantage of the improving crude oil market. Indeed, a change of \$5 in WTI prices has impacted this company's cash flow by 17%; this is quite significant.

For Q1 2021, the company reported a revenue of approximately \$9.15 billion, which represents a 200% increase. I believe that the company's acquisition of Husky Energy is certainly one of the main reasons for this surge. Undoubtedly, this is a huge deal as, following this merger, Cenovus has become Canada's third-largest oil and natural gas-producing company.

This company has reduced its workforce in an attempt to create cost efficiencies. This move has strengthened Cenovus's bottom line in the previous year. As per projections, the company believes that it can create annual operating cost savings between \$400 million to \$600 million. Indeed, it appears that the company can generate a tonne of cash flow in the next quarters. However, oil prices have to cooperate as well.

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2. Investing

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TICKERS GLOBAL

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2. NYSE:CVE (Cenovus Energy Inc.)
3. TSX:AQN (Algonquin Power & Utilities Corp.)
4. TSX:CVE (Cenovus Energy Inc.)

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Date

2025/07/21

Date Created

2021/06/13

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