



2 Extremely Undervalued Energy Stocks to Buy Today

Description

Finding [undervalued stocks](#) in any market is the goal of every investor. Indeed, energy stocks have been one grouping that has continued to do well due to these stocks' relative value compared to other sectors.

Among this group, these two top TSX energy stocks continue to hold tremendous value today. For those bullish on the energy sector, these stocks are companies I'd recommend taking a look at today.

Let's dive in.

AltaGas

After skyrocketing more than 120% since March 2020, **AltaGas** ([TSX:ALA](#)) stock has been a [great performer](#) of late. This midstream in the energy sector has provided excellent leverage to the commodity price recovery of late. And with oil and gas prices continuing to remain elevated, expectations are that AltaGas's upcoming earnings could be blowout numbers.

Investors will note that like other midstreamers, AltaGas's revenue growth has been impressive of late. Frac spreads remain robust, and the company's recent M&A activity has bolstered its position in the market. For those bullish on companies with operating leverage to commodity prices, AltaGas is about as good as it gets today.

Furthermore, AltaGas's balance sheet looks much stronger today than it did a year ago. As cash flows continue to increase, I expect the company to entice more investors to the fold. Of course, this assumes energy prices will remain at or near these levels for some time.

AltaGas currently provides investors with a yield of 3.8%. Given where bond yields are today, this is a healthy dividend. Indeed, should cash flows remain robust, I expect to see more dividend increases in the future. Accordingly, AltaGas could be an excellent performer from a total return perspective over the medium term.

Suncor Energy

One of the biggest players in Canada's oil patch, **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) has also seen its share price take off of late. Indeed, this company's business model, which is tethered to heavy oil production in Western Canada, has been under pressure in recent years.

However, it appears higher oil prices are here to stay. Indeed, for pure-play oil producers like Suncor, this is a very good thing.

A recovery in energy demand and somewhat limited supply makes for a perfect setup for cash flow growth. Suncor's breakeven cost per barrel around US\$35 WTI is certainly attractive when one considers where WTI is trading right now. In fact, today, oil prices made six-year highs on news that an OPEC+ production hike may be off the table.

Long-term investors may want to ignore this noise and any short-term gyrations in energy markets. Looking over the longer term, Suncor has been a steady, consistent performer with excellent leverage to oil prices. This is the kind of company long-term investors looking for value will want to explore right now.

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