



2 Top Energy Stocks Investors Should Buy Right Now

Description

The [search for value](#) is on. And energy stocks have been among the groups investors have focused on of late, for good reason.

Energy prices took a hefty hit as a result of the pandemic. Oil prices briefly turned negative, and the market couldn't have been more bearish on energy companies. Those who bought that dip have done very well for themselves.

Indeed, energy demand projections have surged, and oil prices continue to do well, hovering above US\$70 West Texas Intermediate. Given the improving macroeconomic factors, oil prices are expected to trade as high as the US\$80-US\$100 range soon.

Let's discuss two energy stocks with tremendous upside in this environment.

Top energy stocks: Cenovus Energy

Cenovus Energy ([TSX:CVE](#))([NYSE:CVE](#)), a Calgary-based integrated gas and oil company, has a market cap of around \$21 billion. It is also one of the stocks that are going under the radar of many investors. And I fail to understand why. For starters, 30%+ year-to-date gains have put this stock on a trot toward highs not seen since the height of the previous commodities bubble.

This stock price improvement is underpinned by strong fundamentals. The company posted dramatic triple-digit year-over-year revenue growth this past quarter. The company's previous write-downs last year have turned into projections of outperformance for the years to come.

Indeed, the turnaround with Cenovus' fundamentals is noteworthy for long-term investors bullish on energy prices from here.

Operating margins also improved, along with oil prices. As long as the price of oil can maintain these levels or go higher, Cenovus stock should perform very well. Of course, the market is pricing in a significant margin of safety with this stock, betting oil prices likely won't last at these levels.

However, for those bullish on energy, Cenovus is one [high-leverage play](#) with some serious upside potential today.

AltaGas

Another company providing excellent upside based on higher energy prices is **AltaGas** ([TSX:ALA](#)). This is a top pick in the energy sector for investors looking for solid growth potential without having to pay a high premium. The company is leveraging increasing crude oil prices.

Indeed, chances are that as gas and oil prices continue to rise, AltaGas can outperform most of its midstream peers.

This energy company's revenue growth of late is impressive. Altagas has performed well for a variety of reasons. One such reason is the company is boosting its market presence through strategic acquisitions. With cash flows rising, Altagas' balance sheet is looking better every quarter.

Moreover, Altagas' leverage to this relatively low-risk regulated asset class makes it a reliable passive income source in energy play.

In my opinion, there's a high probability Altagas can continue to outperform from here. Of course, should energy prices remain stable, I think investors will begin to price in higher free cash flow into this company's stock price.

For now, investors can pick up a healthy yield of 3.8% while they wait. That's not bad at all.

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TICKERS GLOBAL

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3. TSX:CVE (Cenovus Energy Inc.)

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