



2 Stocks That Are Winning as the Price of Natural Gas Surges 99%!

Description

Supply concerns and severe weather have pushed natural gas prices up to a 13-year high! Each unit of the energy source is worth 99% more today than a year ago. That's bad news for consumers but great news for these two stocks.

Natural gas winner #1

Enbridge ([TSX:ENB](#))([NYSE:ENB](#)) has been on an impressive run in 2021, going by the 20% plus gain year-to-date. The company moves about 20% of all gas consumed in the United States. Its gas transmission and midstream pipelines cover about 30 U.S. states, five Canadian provinces, and some parts of the Gulf of Mexico.

Unsurprisingly, Enbridge offers a 6.6% dividend yield. The steady rise in natural gas and energy prices has helped the company boost this dividend at a compound annual growth rate of more than [14% over the past decade](#).

The company's Line 3 pipeline expansion is poised to start shipping crude in the middle of this month, providing an opportunity for the company to further strengthen its revenue base.

Enbridge's edge

Enbridge boasts a low-risk business model diversified into liquids pipelines, natural gas distribution, and transmission infrastructure. In addition, it has long-term contracts that continue to generate significant free cash flow. The company pays 60-70% of its steady income through dividends.

While Enbridge is by no means a growth stock, it is still an exciting pick, as it is trading at a discount compared to its peers. A forward price-to-earnings ratio of 20 compared to 27 for **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) means it is cheap. That said, Suncor shouldn't be overlooked either.

Natural gas winner #2

Suncor stock is up 9.6% year to date. Coupled with its 3.6% dividend yield, its total return is respectable but not mind-blowing. That could change, as investors realize Suncor has significant exposure to natural gas. Suncor Energy's underlying subsidiary is a full-service wholesale natural gas supply, marketing, and trading business.

Suncor's improving prospects

The company is fresh from reporting solid second-quarter results, with funds from operations landing at \$2.36 billion, up from \$488 million delivered the same quarter last year. Operating earnings surged to \$722 million from a \$1.35 billion delivered the same quarter last year.

An uptick in oil demand leading to stabilization of prices above the \$60 a barrel should allow the company to grow its cash flow for use in buying back shares and growing the dividend program, as Suncor Energy pays out about half of its cash flow as dividends. Meanwhile, the spike in natural gas should boost its prospects further.

Despite the recent underperformance, the company still offers a decent 3.5% dividend yield much higher (and arguably more reliable) than most dividend stocks. Additionally, the stock is currently trading at a great discount after the recent pullback going by the forward price-to-earnings ratio of seven.

If you're looking for a safe way to bet on natural gas or oil, Suncor should be on top of your list.

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