



Energy Stocks Under \$100: My Top 3 Picks

Description

The improving macro outlook, increased economic activities, and higher average commodity prices indicate that energy stocks could deliver solid financials in the coming quarters. With an improving macro backdrop, let's take a look at three TSX stocks in the energy space that could deliver solid returns in future.

Suncor Energy

Shares of **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) are an obvious choice for investors in the energy space, as crude oil prices continue to trend higher. Suncor's integrated assets, financial strength, and focus on sustainably lowering operating breakeven cost positions it well to deliver strong free funds flow growth.

I expect Suncor to benefit from increased production and lower operating costs. Notably, Suncor's upstream business is expected to gain from the strength in the WTI prices. Meanwhile, higher gasoline and diesel demand coupled with increased utilization will likely drive its downstream financials.

Overall, an improving operating environment, margin expansion, and planned debt reduction augur well for future growth. Meanwhile, Suncor could continue to return cash to its shareholders through share buybacks and dividend payments. Its stock has recovered quite a bit. Still, it's trading at a [significant discount](#) to the pre-COVID levels and is an attractive long-term bet.

Pembina Pipeline

Pembina Pipeline ([TSX:PPL](#))([NYSE:PBA](#)) is another reliable bet in the energy space. An economic reopening, increased energy demand, higher commodity prices, and volume growth will likely drive Pembina Pipeline stock higher in the coming quarters. Notably, Pembina stock has increased more than 42% this year, and I expect the momentum to sustain.

Its diversified and contracted assets, a strong backlog of growth projects, and capital investment will

likely support its growth. Thanks to its fee-based cash flows, Pembina will likely boost its shareholders' returns through increased dividend payments. Pembina offers monthly dividend payouts and is [yielding over 6%](#). Notably, its payout ratio is sustainable in the long run, making it a top stock for income investors.

Pembina stock is trading below its pre-COVID levels, while its volumes are rising (exceeding the pre-pandemic levels), indicating further upside in its stock. Meanwhile, Pembina trades at an NTM (next 12-month) EV/EBITDA multiple of 10.7, which is lower than its historical average and peers.

Enbridge

I am also bullish on **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)) stock in the energy space. The recovery in mainline volumes, higher utilization rate, and strength in its core business suggest that Enbridge will likely deliver robust financial numbers in the coming quarters, which could lift its stock higher. Its diversified cash flow streams and contractual framework protect the downside risk, drive its cash flows, and support higher dividend payments.

Its multi-billion-dollar secured capital program will likely generate incremental EBITDA in the coming years. Meanwhile, strength in the gas business, long-term power-purchase agreements in the renewable power business, and the utility rate base additions augur well for future growth. Also, its strategic acquisitions will likely drive its profitability in the coming years.

Overall, Enbridge remains well positioned to benefit from improving operating environment. Its resilient cash flows indicate that the company will continue to boost its dividends at a healthy pace and enhance shareholders' returns.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Energy Stocks

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1. NYSE:ENB (Enbridge Inc.)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:ENB (Enbridge Inc.)
5. TSX:PPL (Pembina Pipeline Corporation)
6. TSX:SU (Suncor Energy Inc.)

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