3 Cheap TSX Energy Stocks Paying Amazing Dividends

Description

TSX energy stocks are still looking like major bargains today. Negative sentiment, lack of investment, and competition with renewables has meant global oil supply is slow to recover. Yet as the world comes out of the COVID-19 pandemic, demand for oil and natural gas products is rising fast.

As a result, energy prices are skyrocketing. For the past month, oil has been trading consistently over US$80 per barrel. Some analysts are predicting that oil could even sustain a rise over US$100 per barrel!

TSX energy stocks are getting very shareholder friendly

For traditional energy companies, this is pretty exciting. Since the pandemic, many of them have worked hard to repair their balance sheets, reducing costs, and unlock operational efficiencies. Likewise, many Canadian producers have specifically focused on returning capital to shareholders, rather than growing production.

Oil only needs to stay above US$70 per barrel for Canadian energy investors to see some really nice dividend hikes, rapid share buybacks, and solid earnings growth. Here are three top TSX energy stocks that are very well positioned today.

Suncor: A top TSX large-cap energy stock

Suncor Energy (TSX:SU)(NYSE:SU) is kind of like the value pick among the North American super-major producers. It is up 51% year to date. Yet its stock appreciation has lagged the broader **S&P/TSX Capped Energy Index** by almost 30%.

Certainly, it has faced some operational issues this year. However, it appears like most of those issues are in the past, and it should be operating near full steam going forward.

This TSX stock has a great diversified platform of production, refining, and retail operations. It is producing tons of free cash flow. Its management is so confident in the future that it recently doubled its quarterly dividend. Its dividend rose from $0.21 per share to $0.42 per share. Today, Suncor is yielding 5.12%! With a forward price-to-earnings (P/E) of nine, Suncor is still pretty cheap.

Whitecap: An up-and-comer

Another TSX energy stock that has an attractive dividend right now is **Whitecap Resources** (TSX:WCP). It is significantly smaller than Suncor. However, it could also have more upside as well. It has been doing a great job of steadily growing and acquiring production, while maintaining strong profitability. In its recent quarterly results, Whitecap achieved record free funds flow of $294 million.

It continues to utilize free cash flow to reduce debt and should have a debt-to-EBITDA ratio of less than one by year-end. Over 2021, it has increased its monthly dividend by 58% to $0.0225 per share.

Today, its annual dividend yield is 3.65%. From an ESG perspective, Whitecap is interesting, because it is one of the only oil stocks to be a net negative emitter of carbon. That should give it some brownie points to more carbon-aware investors.

Arc Resources: A great natural gas play

ARC Resources (TSX:ARX) is an interesting TSX energy stock for its mixed exposure to natural gas, condensate, and natural gas liquids. Like Whitecap, it just announced record quarterly production and free fund flows. Year to date, it has produced nearly $900 million in free fund flows. That is a near 14% free cash flow yield! Likewise, it only trades with a forward P/E of six.

Given that its net debt is expected to drop to around one times EBITDA soon, ARC believes it can return between 50% and 80% of its future free fund flows back to shareholders. Just recently, it raised its quarterly dividend by 52% to $0.10 per share.

On an annualized basis, it will now yield 3.1%. Already this year, Arc has bought back 2.7% of its shares outstanding. If the energy environment remains constant, there should still be more shareholder rewards on the horizon next year!

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