3 TSX Energy Stocks to Buy Now

Description

Though the higher volumes and increased crude prices have led to a steep recovery in energy stocks, I expect the improving business environment to provide a solid base for growth in 2022. As the energy companies return to profit, let's zoom in on three **TSX** stocks that could outperform the broader markets and deliver strong shareholders' returns.

Suncor Energy

With its integrated assets and operating efficiency, **Suncor Energy** (TSX:SU)(NYSE:SU) remains well positioned to capitalize on the higher crude prices and increased demand. I expect the ongoing improvement in the business environment, higher average realized prices, and lower costs would likely drive Suncor's profitability.

Meanwhile, its solid capital-allocation strategy and reduction in debt bode well for future growth. Suncor stated that downstream demand has returned to the pre-COVID levels, and the strength will likely sustain on the back of a higher refinery utilization rate.

Overall, the favourable sector trends and improving cash flows suggest that Suncor could continue to enhance shareholders' returns through higher share buybacks and dividend payments. Further, Suncor stock is still trading cheap compared to the pre-pandemic levels, indicating further upside in the coming quarters.

Enbridge

The recovery in demand and rise in energy prices will likely drive the financials of the energy infrastructure service provider **Enbridge** (TSX:ENB)(NYSE:ENB). Thanks to the improving business trends, Enbridge has delivered a solid operational and financial performance in the most recent quarter. Meanwhile, its mainline volumes have continued to recover.

Looking ahead, I expect Enbridge to benefit from a solid system-wide utilization rate and Moda acquisition. Meanwhile, its diversified revenue streams, contractual framework, strong secured capital program, and interest cost savings will likely drive its cash flows and share price.

While Enbridge's financials could continue to improve, I expect the company to enhance its shareholders' value through increased dividend payments. Enbridge has consistently raised its dividends for more than two-and-a-half decades, and I expect this trend to sustain. Further, Enbridge's valuation is well within reach, representing an excellent opportunity to buy.

Pembina Pipeline

With the recovery in energy demand, **Pembina Pipeline** (TSX:PPL)(NYSE:PBA) is witnessing strong volumes at its pipelines and facilities division. Further, the company stated that volumes are now exceeding the pre-pandemic levels, which is encouraging. Though Pembina stock has recovered sharply, I see strong upside on the back of higher commodity prices and increased volumes.

Its integrated business, contractual framework, exposure to diverse commodities, secured growth projects, strong backlogs, and expansion of peace pipeline augur well for growth. Moreover, operating efficiencies and higher margins on NGL and crude oil sales will likely drive its profitability.

Like its peers, Pembina also has a rich history of boosting its shareholders' returns through increased dividend payments. Since its, inception, it has paid over $10 billion in dividends. Moreover, it increased it by a CAGR of 4.9% in the past decade. Notably, Pembina stock is also trading cheap. Its EV/EBITDA multiple of 10.6 is lower than peers as well its historical average, indicating further upside in its price. Moreover, it offers a solid yield of 6.0%.

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2. NYSE:PBA (Pembina Pipeline Corporation)
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4. TSX:ENB (Enbridge Inc.)
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