3 Cheap Energy Stocks to Grab in 2022

Description

The new year has arrived. And it's looking like it could be a good one for energy stocks. In 2021, we saw energy stocks soar in the COVID-19 economic recovery. Late in the year, they began to dip, as the Omicron variant swept the world. However, even with Omicron at its worst, prices never got anywhere near as low as they went in 2020. As of this writing, WTI oil futures were at $75 — a perfectly healthy price at which tar sands companies can turn profits. It seems, then, that we've got the makings of a real rally once Omicron is over and done with. With that in mind, here are three cheap energy stocks that could rally in 2022.

Cenovus Energy

Cenovus Energy (TSX:CVE)(NYSE:CVE) is a Canadian tar sands company that makes money extracting, refining, and selling oil. It owns Husky Energy, which owns several valuable oil projects and a network of gas stations. This kind of business does well when oil prices are high and poorly when they're low. As you'd expect, its stock tanked in 2020, as the COVID-19 pandemic sent oil futures into negative territory.

For the full year, CVE fell about 36%. Later, though, it rebounded, as oil prices started to rise in 2021. If oil prices continue rising in 2022, then CVE stock will probably rally even more. And it looks like oil prices probably *will* rise in 2022. As mentioned, they're actually holding up pretty well, despite the worst COVID-19 wave since March 2020. Once travel resumes, there'll be an increase in demand, which should cause prices to go up assuming nothing changes on the supply side.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a relatively cheap energy stock. Trading at 17.5 times earnings, 2.25 times sales and 1.75 times book value, it's pretty modestly valued. It's also arguably pretty good on the growth front. Its five-year CAGR revenue growth rate is only 6%, but its earnings growth rate is 24%. So, it has grown its bottom line a lot, despite some sluggishness on the top line. That's not surprising.

Enbridge is a pipeline company, meaning it operates pipes that transport oil and gas across vast stretches of land. This kind of business has plenty of room for improvements in operational efficiencies, which can lead to high earnings growth on modest revenue growth. As long as that continues being the case, then ENB can keep rising — and paying its juicy 7% dividend!

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is another energy stock like CVE. It's pretty cheap, trading at 19 times trailing earnings, 11.5 times forward earnings, and 1.3 times book value. There was a period of time in 2020 when you could buy this stock for less than the value of its assets, net of debt. Those days are long gone, but SU may still have room to run.

Oil prices are currently way up from where they were in 2020, yet Suncor is still down 30% from its 2019 high of $45. In its most recent quarter, Suncor pulled off $2.6 billion in cash from operations (up 160%), and $877 million in earnings (up from a loss). As long as oil prices rise, then these gains should continue. And Suncor's stock should catch up with its earnings results sooner or later.

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2. NYSE:ENB (Enbridge Inc.)
3. NYSE:SU (Suncor Energy Inc.)
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