3 Absurdly Cheap TSX Energy Stocks to Buy Today

Description

TSX energy stocks have been on a tear in 2021 and in 2022 (so far). In fact, the **S&P/TSX Capped Energy Index** is up 120% over the past year. That compares with **S&P/TSX Composite Index**, which is only up 20% over that time frame.

TSX energy stocks have more upside ahead

Despite such solid performance, many TSX energy stocks are actually cheaper today than they were a year ago. Since the pandemic crash, Canadian oil and gas stocks have had to reduce costs, unlock efficiencies, and moderate spending. Consequently, many are leaner and more prudently managed than ever.

WTI crude has risen 64% over the past year and now trades at over US$85 per barrel. At that price, most TSX energy stocks are producing significant amounts of free cash flow. With energy demand rising and supply remain stagnant, energy prices should continue to remain elevated for some time.

Consequently, right now may be a great time to have some exposure to oil and gas. Here are three incredibly cheap TSX energy stocks I would consider looking at today.

Suncor: A leading TSX integrated energy stock

While **Suncor Energy** (TSX:SU)(NYSE:SU) is up 22% in just 2022 alone, it has materially underperformed the TSX Energy Index. It still trades 18% below its pre-pandemic price, whereas many peers, like **Canadian Natural Resources**, have eclipsed that level. Certainly, Suncor has had some operational issues that have caused production to decline to some extent.

Despite that, it is still producing pretty decent results. It just released fourth-quarter 2021 results on Thursday. The company generated a record-breaking $3.1 billion in adjusted funds from operationsand a nice $1.5 billion profit in the quarter. It did this despite its production volumes dipping from769,000 barrels per day in 2020 to 743,000 barrels per day this quarter.

All in all, this TSX energy stock is cheap with a price-to-earnings ratio of only eight. This also pays an attractive 4.45% dividend, which could likely rise again if the oil environment remains strong.

ARC Resources: An undervalued mid-cap

ARC Resources (TSX:ARX) is an attractive mid-cap TSX energy stock to look at today. Despite rising 30% so far this year, this stock is still remarkably cheap. It only trades with a price-to-earnings ratio of 6.5. In 2014, this was a $30 stock. Today, it trades for less than $15 per share.

Despite being amongst the largest natural gas and condensate producers in Canada, its performance has trailed peers like **Tourmaline Oil**. The company has some really high-quality, long-life assets and a low-sustaining capital structure. At current prices, it is expected to have a +20% free cash flow yield. It pays a 2.7% dividend now. However, with energy prices elevated, investors can expect ample cash returns (dividends and buybacks) in 2022.

AltaGas: An energy-focused utility

If you want some commodity exposure, but with relatively low risk, **AltaGas** (TSX:ALA) may be the stock for you. It operates a large natural gas utility network in the United States. This provides very stable, predictable streams of cash flow. However, it also has a large integrated midstream and export business in Canada. This business has been booming due to strong demand for propane and NGLs in Asia and Europe.

Compared to peers, AltaGas is demonstrating stronger than average cash flow per share growth. Yet it trades at a material discount to larger midstream and utility businesses. This TSX energy stock pays an attractive 4% dividend, which has been consistently increased over the past couple of years. It is a solid way to earn income and steady capital returns over the years to come.

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