3 Canadian Energy Stocks Trading at Attractive Valuations

Description

Oil prices crossed the US$130 per barrel mark last month amid supply concerns arising from the sanctions placed on Russia after its invasion of Ukraine and rising demand. However, due to the COVID-related lockdown in China and coordinated releases from oil reserves, oil prices have cooled down this month to trade around US$100/barrel. With oil trading at this price, here are three top energy stocks that you can buy right now.

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Suncor Energy

Supported by higher oil prices and its solid fourth-quarter performance, **Suncor Energy** (TSX:SU)(NYSE:SU) has returned over 32% this year, outperforming the broader equity markets. Given its low-decline, long-life asset portfolio, the company could cover its operating expenses, sustainable capital investment, and pay dividends, provided WTI oil trades at US$35/barrel. So, with oil prices trading significantly higher, the company could enjoy higher margins in the coming quarters.

Further, Suncor Energy has committed to a capital investment plan of around $4.7 billion to enhance its integrated asset base value. The company is also increasing its production by 5% compared to the previous year. Meanwhile, the company has also reduced its debt by $3.7 billion, lowering its interest expenses. It also trades at an attractive NTM (next 12 months) price-to-earnings multiple of 6.3 and pays quarterly dividends with a forward yield of 4.06%. Considering these factors, I expect Suncor Energy to deliver superior returns over two years.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is a midstream energy company that operates over 40 revenue-generating assets. The rising energy demand could increase its asset utilization rate. Additionally, the company put $10 billion of projects into service last year and expects to invest $5-$6 billion each year for the next three years. These investments could expand its midstream and renewable energy asset base. So, Enbridge's outlook looks healthy.

Further, Enbridge is a dividend aristocrat and has raised its dividends without interruption for the last 27 years at a compound annual growth rate of 10%. Currently, its forward yield stands at a healthy 5.73%. Given its resilient cash flows and healthy growth prospects, I believe Enbridge's dividends are safe. Meanwhile, the company trades close to 20% higher for this year. Despite the surge, its forward price-to-earnings multiple stands at 18.9. So, I believe the uptrend in Enbridge can continue.

TransAlta Renewables

Russia was the largest exporter of oil and natural gas to Europe in 2021, supplying 40% of its needs. Meanwhile, the European Union is focusing on reducing its dependence on Russia amid its aggression toward Ukraine. So, the European Union has a charted out a 10-point plan, which includes strengthening its wind and solar projects. The increase in oil prices could also accelerate the transition toward clean energy.

Given the favourable market conditions, I have selected **TransAlta Renewables** (TSX:RNW), which has an economic interest in 50 power-producing facilities, as my final pick. It sells the power produced from its facilities through long-term agreements, thus delivering stable and predictable cash flows. Additionally, the strategic acquisitions and robust developmental pipeline could boost its financials in the coming years.

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Meanwhile, TransAlta Renewables has also rewarded its shareholders by consistently raising its dividends since going public in 2013. With a monthly dividend of $0.07833/share, its forward yield stands at 4.86%. The company currently trades at a discount of over 14% from its 52-week highs. So, I believe TransAlta Renewables would be an excellent buy at these levels.

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2. NYSE:SU (Suncor Energy Inc.)
3. TSX:ENB (Enbridge Inc.)
4. TSX:RNW (TransAlta Renewables)
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Date
2025/08/24
Date Created
2022/04/13
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