



## 3 Cheap Energy Stocks to Buy Right Now to Earn Superior Returns

### Description

Rising demand, geopolitical tensions, and supply concerns, as OPEC+ countries are struggling to increase their output, have led oil prices to trade above US\$110/barrel. Higher oil prices could benefit oil-producing companies by expanding their margins. So, given the favourable environment, the energy sector has outperformed the broader equity market this year. Meanwhile, the rally could continue, as oil prices could trade at higher levels for the rest of this year.

So, I am bullish on the following three cheap energy stocks.

### Cenovus Energy

**Cenovus Energy** ([TSX:CVE](#))([NYSE:CVE](#)) is one of the top performers this year, with its stock price trading 77% higher. Last month, the company had reported an impressive first-quarter performance, with its net profits coming at \$1.63 billion compared to \$220 million in the previous year's quarter. A higher realization price, increased upstream production and downstream throughput, a decline in interest expenses due to lower debt levels, and cost-cutting initiatives drove the company's financials.

Meanwhile, Cenovus Energy has increased its capital-spending guidance by \$300 million for this year due to the increased capital expenditure to complete the Superior Refinery. Oil prices could remain elevated amid rising demand and supply constraints. So, the company's outlook looks healthy.

Despite the surge in its stock price, Cenovus Energy's valuation looks attractive, with its NTM price-to-sales and NTM price-to-earnings multiples standing at 0.8 and 3.7, respectively. The company has also tripled its quarterly dividend to \$0.105/share, with its forward yield at 1.5%. So, given its growth initiatives, favourable market environment, cost-cutting initiatives, and attractive valuation, I am bullish on Cenovus Energy.

### Suncor Energy

Like Cenovus Energy, **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) operates an integrated energy business

involving extracting and refining crude oil and marketing petroleum products. The company has returned around 56% this year. However, despite the massive increase in its stock price, the company's valuation is still attractive, with its NTM price-to-earnings multiple standing at 6.3.

Meanwhile, the company hopes to raise its upstream production by 5% amid the ramp-up of its Fort Hills facility. Higher price realization, cost-cutting initiatives, share repurchases, and lower debt levels could boost its financials and stock price in the coming quarters. Notably, the company had also raised its quarterly dividend by 12% to \$0.47/share earlier this month. Its forward yield currently stands at a healthy 3.85%. So, given the favourable environment and its cheaper valuation, I expect Suncor Energy to outperform this year.

## Enbridge

Third on my list is **Enbridge** ([TSX:ENB](#))([NYSE:ENB](#)), a midstream energy company that transports oil and natural gas across North America through a pipeline network. It also operates several renewable energy assets. With the rising energy demand, the company's asset utilization rate has increased, driving its financials.

The company plans to strengthen its assets base by investing around \$5-\$6 billion annually for the next three years. Supported by these investments, Enbridge's management expects to grow its distributable cash flow per share by 5-7% annually through 2024. The growth in cash flows could allow the company to raise its dividends in the coming years.

Notably, Enbridge has raised its dividend for the previous 27 years uninterrupted. With a quarterly dividend of \$0.86/share, its forward yield stands at 6%. Meanwhile, its NTM price-to-earnings multiple also stands at an attractive 18.7. So, I believe Enbridge is an excellent buy right now.

### CATEGORY

1. Energy Stocks
2. Investing

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2. NYSE:ENB (Enbridge Inc.)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:CVE (Cenovus Energy Inc.)
5. TSX:ENB (Enbridge Inc.)
6. TSX:SU (Suncor Energy Inc.)

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