How Cheap Are Canada's Top Oil Stocks? Part 2

Description

Earlier this week, I took a look at three of Canada's top oil stocks and tried to determine just how cheap they are. The analysis was fairly simple. I looked at how much their shares had fallen relative to the price of oil.

With the price of oil falling so rapidly, these companies should have seen their share prices plummet, too. However, their share prices have held up reasonably well. Investors still seem to be somewhat optimistic that prices will turn around, and priced these stocks accordingly. For that reason, I decided that these stocks are probably overpriced.

With that in mind, we take a look at three more of Canada's top oil companies. Are there any bargains to be had?

1. Suncor

First, let's establish some context. The price of oil has fallen just over 20% in 2015, despite a nice rebound in the month of February. Over the past 12 months, the oil price has dropped roughly 60%.

Suncor Energy Inc. (TSX:SU)(NYSE:SU) shares have not fared nearly that badly. So far this year, the shares are down just 5%. Since this time in 2014, the stock price has fallen just 3%. So, why haven't the shares reacted more strongly?

First of all, let's give credit to the company. It has done a great job cutting costs, and investors are confident in the management team. It has a great balance sheet, one that may allow for some cheap acquisitions down the road. Suncor also has a great downstream (i.e. gas stations) business, one that insulates the company from falling oil prices. It's a very safe way to bet on the oil price. Even Warren Buffett has been buying shares.

That said, Suncor's share price is, without a doubt, pricing in an oil-price recovery. I would argue there's limited upside at this point.

2. Cenovus

Cenovus Energy Inc. (TSX:CVE)(NYSE:CVE) shares have performed much worse than Suncor's, and are down more than 10% in 2015 and 27% over the past year. Does that mean there's more upside?

Again, the answer is no. Cenovus shares have performed poorly for other reasons and not just because of the declining oil price. Its operations have run into a number of problems, resulting in higher costs and disappointing production volumes. An unplanned coker outage at the Borger refinery caused refining volumes to decline. Cenovus also felt the need to raise equity earlier this year, which never inspires confidence among investors.

Once again, Cenovus shares are likely pricing in a rebound.

3. Crescent Point

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) is a little more interesting. The energy giant's stock price is down by 30% over the past 12 months, but is actually up slightly in 2015. How has this happened?

Well, Crescent Point shares plummeted late last year, as other high-yielding energy companies were cutting their dividends. Investors were worried that Crescent Point would do the same. When the company held firm and oil prices recovered somewhat, the shares spiked.

As a result, Crescent Point shares are once again pricing in an oil rebound. With oil prices falling off a cliff, this is looking like a losing bet. I would stay away.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:SU (Suncor Energy Inc.)
3. NYSE:VRN (Veren)
4. TSX:CVE (Cenovus Energy Inc.)
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Date
2025/07/22
Date Created
2015/03/18

Author
bensinclair