



## 5 Cheap Energy Stocks With Huge Potential Upside

### Description

In today's market, with seemingly every sector hitting a fresh 52-week high, value is getting more and more difficult to find.

Cheap individual companies will always exist, of course. But often these just look inexpensive compared to their peers. A stock trading at 10 times earnings would be considered cheap today. The same stock at the same valuation probably wasn't in early 2009.

One sector that's bucking this trend is the energy. The price of oil has been in the dumps for 18 months now, and investors are starting to get impatient. Many believe oil will never return to its former norm of more than \$100 per barrel.

This creates a great opportunity for greedy value investors. Getting in when everyone else has lost hope is one of the tenets of successful value investing. As long as investment has the balance sheet strength to wait out a prolonged bear market, it's likely to reward investors handsomely when the next bull market comes around.

Here are five energy companies with that kind of upside potential.

### Gran Tierra

**Gran Tierra Energy Inc.** ([TSX:GTE](#))(NYSE:GTE) is a Colombian-based oil producer that has been busy buying assets at today's low prices. Its biggest deal yet was announced yesterday when it agreed to buy PetroLatina for US\$525 million.

Even after accounting for the US\$130 million it'll raise in debt to finance the deal—the rest will be paid in cash on hand and via a share issuance—the company still has a solid balance sheet. This deal ups proved and probable reserves to 129 million barrels, a huge amount for an energy company with a market cap of less than US\$1 billion.

### Bellatrix

**Bellatrix Exploration Ltd.** (TSX:BXE)(NYSE:BXE) is a Canadian oil and gas exploration company focusing much of its energy on the Spirit River area, which has some of the lowest-cost natural gas out there.

Shares trade at \$1.37 each on the TSX—a fraction of book value, which is \$4.32 per share. Additionally, the company generated \$1.54 per share in cash from operating activities as recently as 2014, which indicates it has plenty of cash flow potential once commodity prices get back to normal.

## Dundee

**Dundee Corp.** ([TSX:DC.A](#)) is a little different than the rest of this list. It's a holding company with all sorts of different assets, including real estate, wealth management, precious metals, and, most importantly, energy exposure.

Shares are ridiculously cheap on an asset basis. The company has a book value of \$17.74 per share as of March 31—a huge premium compared to the current share price of \$7.60. That's cheap, even for a sector that has value seemingly everywhere.

## Akita Drilling

**Akita Drilling Ltd.** ([TSX:AKT.A](#)) is a contract drilling company, brought in by oil producers instead of hiring their own employees and buying their own equipment. Naturally, business hasn't been great of late.

But the company is well equipped to handle this downturn with zero debt and a cash balance of more than \$22 million. It pays a dividend of 3.9%—a rarity in the energy sector today—and trades at 33% below book value.

## Penn West

**Penn West Petroleum Ltd.** (TSX:PWT)(NYSE:PWE) has done a terrific job getting top dollar for its assets. These asset sales have reduced debt from \$2.1 billion to \$0.6 billion and likely saved the company from bankruptcy.

The new Penn West will focus on the Cardium, Viking, and Peace River areas with Cardium getting the most focus and investment, since it offers the greatest potential netbacks. Production from the area is scheduled to grow approximately 10% annually through 2021 without adding to debt.

Penn West still isn't out of the woods completely yet, but for the first time in years the company can legitimately say it isn't burdened with debt. It's now free to complete its turnaround without that weight on its shoulders.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. NYSEMKT:GTE (Gran Tierra Energy Inc.)
2. TSX:DC.A (Dundee Corporation)
3. TSX:GTE (Gran Tierra Energy Inc.)

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nelsonpsmith

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