TFSA Investors: 2 Unloved Canadian Stocks That Could Soar

Description

Contrarian investors are searching for undervalued or underappreciated stocks to add to their TFSA portfolios.

Let's take a look at **Baytex Energy Corp.** (TSX:BTE)(NYSE:BTE) and **Altagas Ltd.** (TSX:ALA) to see why they might be interesting picks.

Baytex

Baytex made a major acquisition in June 2014, just before oil prices began to tumble. As a result, the company soon found itself facing much lower cash flow than expected and significantly more debt on the balance sheet.

Management has done a good job of keeping the company alive through the downturn. Baytex cut the dividend, negotiated new terms with lenders, and raised capital at an opportune time.

This has enabled the company to hold on to most of its assets, which is why the stock looks appealing to contrarian investors.

Debt levels are still a concern if oil's recent rally falters, but Baytex has calculated its net asset value to be above $9 per share. At the time of writing, the stock trades at $3.70, so there is some attractive upside potential if oil can extend its recent recovery above US$50 per barrel.

Remember, this was a $48 stock when oil was at its 2014 highs.

Altagas

Altagas owns gas, power, and utility assets in Canada and the United States. The company has grown over the years through organic development and strategic acquisitions, and that trend continues.

Current development projects include the construction of the North Pine NGL Separation Facility and the Ridley Island Propane Export Terminal in British Columbia. Altagas just completed its expansion of the Townsend gas-processing site.

South of the border, Altagas is working on its $8.4 billion purchase of Washington D.C.-based **WGL Holdings**. The WGL deal is part of the reason the stock is down more than 15% this year, as investors are concerned Altagas might not be able to sell some non-core assets at targeted prices to help pay for the deal.

Altagas expects the WGL purchase to close next year and is forecasting dividend growth of at least 8% per year through 2021 after the new assets are integrated into the portfolio.

The dividend currently provides an annualized yield of 7.3%, so investors are being paid well to wait for better days.

Once the WGL acquisition is closed, Altagas should move higher. The stock currently trades for less than $29 per share, but it was above $50 just over three years ago.

Is one more attractive?

Both stocks are interesting contrarian picks.

If you can handle the volatility, Baytex probably offers more upside torque if oil prices continue to recover.

Contrarian investors who are a bit more conservative might prefer Altagas. The stock should be a safer bet and provides a nice dividend. The upside potential is still attractive, but Altagas is unlikely to move significantly higher until the WGL deal closes.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:ALA (AltaGas Ltd.)
2. TSX:BTE (Baytex Energy Corp.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date
2025/07/08
Date Created
2017/10/06
Author
aswalker