



Top 5 Oil Stocks as We Approach US\$60 Oil

Description

With cold weather upon us once again, many Canadians are getting a dose of reality. Given the change of the season and low oil prices, which have persisted for several years, the supply put online by many companies has finally started to decline, leading to a more balanced market. As oil approaches US\$60 per barrel, there are certain companies that stand to benefit substantially from this increase in the underlying commodity.

We begin with **Altagas Ltd.** ([TSX:ALA](#)), which may not seem like an obvious name in the oil industry. The company, which supplies power to many homeowners and businesses in Alberta, has the potential for substantially higher demand, as the price of oil recovers and a more normalized level of economic activity returns to the province. Shares are at ~\$30 per share. Investors receive a dividend yield of more than 7.25%. The company distributes less than 80% of cash flow from operations (CFO) in the form of dividends.

The second name on the list is **Baytex Energy Corp.** ([TSX:BTE](#))(NYSE:BTE). At a price of \$4.25, Baytex has gained more than 20% over the past month and continues to trade at a discount to tangible book value. Although shareholders don't get a dividend with this name, the [catalyst for further increases](#) will come as the company resumes positive cash flow and earnings, and the tangible book value will eventually be realized once again.

For those seeking a lower-risk/reward approach, shares of **Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)) pay a dividend close to 1.5%, as shares continue to trade close to the company's tangible book value. Given that the company is an integrated oil producer and seller, the stock's volatility will be substantially lower than expected, given that the beta is no more than 0.27. The main advantage that integrated oil companies have over all others is that as one part of the business declines, the cost of goods sold at the pump will decline, allowing the company to benefit from lower oil prices.

In the much higher-risk/reward category is **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG). The company recently reported quarterly earnings, which showed a substantial loss for the quarter. In spite of this, the company has remained cash flow positive and has done an excellent job at better utilizing its resources. The large quarterly loss was partly driven by a much higher depreciation

expense for the quarter. In spite of this, shares have still managed to [increase by close to 15%](#) for the past month.

The last name on the list is **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)), which is the industry's best blue-chip name. With a current market capitalization of no less than \$75 billion, the company is at its 52-week high amid rising oil prices. Although the dividend is less than 3%, it continues to be one of the most solid yields in the oil sector, as the company has managed to increase the dividend over the past few years.

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:ALA (AltaGas Ltd.)
5. TSX:BTE (Baytex Energy Corp.)
6. TSX:CVE (Cenovus Energy Inc.)
7. TSX:SU (Suncor Energy Inc.)
8. TSX:VRN (Veren Inc.)

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