Top Energy Names to Buy on Weakness

Description

After a really positive period in the energy space, we are faced with another day of weakness, as the price of oil falls to close to $55 per barrel and natural gas follows suit, bouncing off of the $3 mark.

This is coming off a bearish International Energy Agency (IEA) report, which showed non-OPEC production was stronger than expected, and demand forecasts were cut.

Not surprisingly, energy shares are taking a licking.

But if your long-term view on oil is positive, then today is a good day to be buying.

Many energy companies have improved their businesses over the downturn; they have come out better, leaner, and as drivers of shareholder value. It was either this, or they would not survive.

As a case in point, we have **Canadian Natural Resources Limited** (TSX:CNQ)(NYSE:CNQ), which reported third-quarter EPS of $0.19 compared to a loss of $0.32 in the same period last year, Cash flow per share was $1.37 compared to $0.92 in the same quarter last year. And free cash flow is $1.2 billion so far this year — some of which has been used to pay down debt, which is currently standing at 42% of total capitalization.

These strong results can be attributed to a 14% increase in production, higher prices, and better efficiencies.

Going forward, we can reasonably expect future dividend hikes from Canadian Natural Resources, as 2018 is expected to continue to bring in strong production increases. The company currently expects a 17% increase in 2018 production

Canadian Natural Resources is special, because it offers a long-life, low-decline portfolio and oil and gas assets that have given the company a predictable and reliable stream of cash flow with little reserve-replacement risk. This means investors get exposure to the sector’s upside while mitigating the downside risk.

Another high-quality company that is trading down today is **Cenovus Energy Inc.** (TSX:CVE)(NYSE:CVE), which was already attractively valued before today's fall.

Production increased 115% in the third quarter, and cash from operating activities increased 91%, as the quarter included the assets purchased from **ConocoPhillips** for the full three months.

And Cenovus has hired its new CEO and is making progress with its asset-disposition plan and reduction of debt targets, both of which should be catalysts for the stock.

The company has announced $3.7 billion in asset dispositions, which will be used to improve the balance sheet and will go a long way in making investors more comfortable with the stock heading into 2018.

In summary, while there are many ways to play the recovery in oil markets, these names are among the lower-risk names that have good upside and not as much downside as some of the others.

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2. NYSE:CVE (Cenovus Energy Inc.)
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