



## 2 Natural Gas Stocks With Big Upside

### Description

Canadian [natural gas space has fallen out of favour](#) over the past few years. This has led to many potentially profitable opportunities in this sector. As a fuel, natural gas has an advantage that other fossil fuels do not possess. Natural gas is thought to be relatively more environmentally friendly, an attribute that makes it a bridge fuel to renewable resources as the world transitions. Natural gas producers and natural gas-related companies may have significant upside in the future.

There are numerous companies that operate in the space. Therefore, it is important to focus on those that have strong balance sheets and production growth that can survive the near-term difficulties until there is a turnaround in sentiment. Two such companies are **Keyera Corp.** ([TSX:KEY](#)) and **Birchcliff Energy Ltd.** ([TSX:BIR](#)). While both have exposure to natural gas, they each provide different levels of exposure, potential upside, and have profoundly different risk profiles.

### Birchcliff Energy

As a natural gas producer, Birchcliff provides more leveraged exposure to a resurgence in natural gas stocks. The company has been punished along with all natural gas producers, bringing the shares to practically all-time lows.

Birchcliff currently pays a dividend of approximately 3% at the current share price. The company itself has been performing rather well and achieved record quarterly production and cash flows in the most recent financial report. Birchcliff's cash flows increased by 35% over Q4, 2016, yet the share price has continued to retreat.

Adding this stock to your portfolio would be a leveraged play on natural gas; if there were a turnaround in the sector, Birchcliff could turn around rather quickly. In the meantime, the dividend provides some income while you wait.

### Keyera Corp.

Keyera is in the business of storing and transmitting natural gas and primarily operates in Alberta. The lack of pipeline infrastructure has increased the demand for Keyera's facilities in recent years,

especially since many producers have been increasing production.

As a pipeline utility, the stock price has been punished for both the natural gas sector negativity as well as for negativity towards dividend payers, as rising rates are making these stocks relatively less attractive in the short term. At these price levels, Keyera pays a dividend of over 5% on an annual basis, a dividend which has been increasing steadily for several years. Keyera would be a good long-term hold in the space as gas prices recover.

While both companies may benefit from a reversal in sentiment in the Canadian oil and gas sector, each serves a different purpose. Birchcliff provides more direct exposure to the sector, has more potential upside, and would be a more speculative play on the commodity.

Buying Keyera is an income strategy that may also benefit from a turnaround in the sector, albeit to [a more limited degree](#). Keyera would be an excellent long-term position, which will probably continue to provide steady income and dividend growth in the future.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. TSX:BIR (Birchcliff Energy Ltd.)
2. TSX:KEY (Keyera Corp.)

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