Everyone Hates Canadian Oil, So Here Are 2 Stocks to Buy Before People Like it Again

Description

The Canadian oil patch has really struggled for the past few years. It seems like nothing can go right. From environmental concerns and pipeline issues to the collapse of oil prices a few years ago, the sector has struggled. Many of the former high-flying stocks have collapsed to shadows of their former selves.

But rays of light are starting to emerge. Global oil prices have been on the rise, and demand may be increasing with a strengthening global economy. Sure, there are rumblings of trade wars and other issues, but the trend appears to be more positive than negative.

If you feel like taking a stab at the oil sector, own one of these smaller players to get a leveraged boost on the Canadian oil sector. There are multiple stocks languishing at low prices, but former market darlings like **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) and **Whitecap Resources Inc.** (TSX:WCP) might be a good way to take advantage of a sudden move in oil and collect a few dividends along the way.

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG)

A few years ago, Crescent Point was a very popular stock. Countless analysts praised the company for its excellent assets and fabulous management. Retirees loved the huge dividend that it paid. The one issue everyone had with the stock was the way it used its shares as currency to buy assets. But considering the quality of the assets, nobody made that much noise.

Fast forward a few years, and a lot of burned investors are not speaking so kindly about the stock. That glorious dividend was cut, the shares lost an enormous amount of value, around 75% from its highs, and the company was still using its shares to buy assets, further diluting the price.

That being said, the negativity might be giving investors an opportunity. While the dividend is not as great as it once was, it is still a respectable 3% at current prices, which are paid out monthly. The assets the company acquired are good, some of which have been purchased cheaply over the past couple of years.

The company's prospects are improving, with cash flow from operating activities increasing 11%. Adjusted net earnings from operations were up 2%. Of the two stocks, Crescent Point needs higher prices more than Whitecap, as the company is very highly leveraged and is probably riskier.

Crescent Point's move into the United States could provide some diversification of its assets. By increasing its American production, the company is less restricted by the Canadian pipeline bottlenecks, is able to access the U.S. market more freely, and may be able to sell its oil for higher prices than in Canada.

Whitecap Resources Inc. (TSX:WCP)

Whitecap's stock price did not collapse quite as far as Crescent Point's, falling only about 50% from its highs. Some might argue that the smaller price collapse indicates a stronger company, since shareholders did not abandon it to the same degree. Whitecap also pays a dividend of around 3%.

Whitecap's production has been excellent, with a 14% compound annual growth rate per share since 2010. Funds flows have increased at a 21% annual growth rate, with 2018 projected to be a record year. Free funds flows are projected to grow 149% over last year. If the projections materialize, the stock could be set for material capital gains.

These companies both fell significantly during the oil price collapse and have yet to recover. If the view on Canadian oil were to change suddenly, it is highly likely these companies could experience significant capital appreciation. These companies would be a risky speculative bet on Canadian oil. In the meantime, collect those dividends while you wait for the turnaround.

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1. NYSE:VRN (Veren)
2. TSX:VRN (Veren Inc.)
3. TSX:WCP (Whitecap Resources Inc.)

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