The 2 Healthiest Energy Stocks in Canada to Buy Now

Description

Here are Canada's two healthiest energy stocks based on balance sheets and growth prospects. While you'll find a few more benefits to buying the stocks mentioned below, the main criteria used for selecting these stocks were projected income and current liabilities.

Growth was assessed by looking at the future annual earnings-growth rate versus the low-risk savings rate as well as the average earnings-growth rate of the TSX index itself. Both stocks' annual revenue growth rate versus the TSX index rate was also taken into consideration, as was the projected three-year return on equity.

Meanwhile, health was analyzed by a similar five-point weighting system. This accounted for short-term assets versus short-term liabilities, short-term assets versus long-term liabilities, debt versus equity over the last five years, debt versus operating cash flow, and earnings versus interest on debt.

Enbridge Income Fund Holdings Inc. (TSX:ENF)

This is a true TSX gem, and one that newcomers and old hands looking for sturdy dividends alike should consider. One of the best funds in the oil and gas storage and transportation industry, Enbridge Income Fund Holdings is a must-have. It's great value at present, discounted by over 50% compared to its future cash flow value, with a perfect PEG of 0.8 times growth and P/B of 1.2 times book.

Enbridge Income Fund Holdings's P/E of 21.8 times earnings is a little steep, but weigh that against its growth prospects of 25.7% expected annual growth in earnings, and it makes sense. Risk-averse buyers will be pleased to know that Enbridge Income Fund Holdings holds zero debt, while income investors will relish that dividend yield of 6.87%.

Parex Resources Inc. (TSX:PXT)

This go-to oil and gas exploration and production giant is looking super healthy right now. However, value investors have some mixed multiples to chew over. Its share price is currently market weight,and it has a P/E of 15.9 times earnings, so Parex Resources is off to a good start. Its PEG of 0.8 times growth looks good, too.

But what about that P/B ratio of 3.1 times book? An expected 20.3% annual growth in earnings might not be enough to satisfy growth investors who are wary of purchasing a stock at three times what it should be.

Again, in terms of health, this one ticks all its boxes. It's up to growth investors looking at a booming energy sector to decide whether holding this non-dividend stock for the long term is worth the investment.

The bottom line

There's a lot to be said for holding energy stocks on the TSX at the moment. While oil prices continue to oscillate, and that Russia/OPEC decision rumbles on in the background, having solid energy stocks with perfect balance sheets is a good position. The two stocks here represent the safest places to hide amid uncertainties in the market right now.

Enbridge Income Fund Holdings is a clear buy if you happen to be a value investor looking for decent dividends. Meanwhile, Parex Resources is an excellent choice for growth investors looking to hold a stock for long-term capital gains. Since they're in two different industries, you may want to consider both as a diversified first-time exposure to the energy sector.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:PXT (PAREX RESOURCES INC)

PARTNER-FEEDS

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

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/24

Date Created
2018/07/17
Author
vhetherington