Better Buy: Canopy Growth Corp. (TSX:WEED) vs. Canadian Natural Resources Ltd. (TSX:CNQ) and the Energy Sector

Description

While much investor attention still goes to the ever-impressive and exciting marijuana stocks, like **Canopy Growth Corp**. (TSX:WEED)(NYSE:CGC), there are other areas of the market that have been more overlooked, even though they have good growth prospects ahead and attractive valuations.

These include areas such as the energy sector. The difference is that many of these energy stocks not only have solid financials and growth profiles, but they also have attractive valuations.

So, where should investors invest their money going forward?

Canopy's stock has an impressive history of returns. With a one-year return of 330%, investors have been well rewarded with this stock. With triple digit sales growth and booming demand, this company has not, surprisingly, been an investor darling.

But looking deeper, down to the bottom line, things start to look more worrisome. Estimates are being reduced and vary widely (highlighting the uncertainty and lack of visibility), and valuations are lofty.

In 2020, Canopy is expected to generate EPS of $0.41 (based on consensus), which means that the stock is trading at a P/E multiple of 86 times. That's high.

Energy stocks, however, are trading at relatively low valuations and generating record earnings and cash flows.

Here are the energy names that hungry investors may want to consider picking up today.

Canadian Natural Resources Ltd. (TSX:CNQ)(NYSE:CNQ)

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.

In the fourth-quarter 2017 results release, management reported a 60% increase in cash flow per share, as production increased 19%, and its realized price increased to $54.71 from $43.27 last year.

Furthermore, the company announced a 22% dividend increase, signaling their bullish long-term view.

And in the first quarter of this year, the company continued to report strong cash flow growth of 25%.

Cenovus Energy Inc. (TSX:CVE)(NYSE:CVE) is another producer that is interesting due to its large resource base, good growth potential from its oil sands expansions, and attractive valuation.

Cost reduction, debt reduction, and an unrolling of the poorly timed hedge book should act as catalysts for long-term value creation.

Trading at a 0.9 times price-to-book multiple, this stock is representing good long-term value.

AltaGas Inc. (TSX:ALA)

Being an energy infrastructure play, AltaGas is a bit of a different beast than the previous two names.

But with a 7.82% dividend yield, the asset sale program progressing nicely, and good progress on the approval on the WGL acquisition, the stock represents a good buy at these levels.

And WGL's high-quality assets and market position will bring AltaGas many growth opportunities as well as significant earnings and cash flow accretion in the years ahead.

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2. NYSE:CNQ (Canadian Natural Resources)
3. NYSE:CVE (Cenovus Energy Inc.)
4. TSX:ALA (AltaGas Ltd.)
5. TSX:CNQ (Canadian Natural Resources Limited)
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