



3 Top Energy Stocks to Buy This Summer

Description

Energy stocks typically do their best as we head into the winter season, with the summer months being the lows for this group of stocks.

So, at this point in time, we are in the sweet spot seasonally as well as with respect to the broader cycle, or macro environment, as oil continues to trade at just under \$70.

What does this mean?

Admittedly, there is no shortage of risky stocks in the energy space, but as the sector continues to recover from the infamous oil crash a few years ago, what we see emerging is leaner and more efficient companies that are setting up for big returns.

Here are the top three energy stocks to buy:

Baytex Energy ([TSX:BTE](#))(NYSE:BTE)

Baytex stock had been holding its own as oil prices continued to strengthen.

That was until the company announced the acquisition of **Raging River Exploration**, which diluted the existing shareholder base and sent the stock tumbling almost 30% to current levels

The actual merger looks good, though.

It strengthens Baytex's balance sheet, bringing its net-debt-to-equity ratio to below two times from three times, and it diversifies its production base, giving the company quality light-oil assets and land in the Duvernay area in Alberta.

The problem is with the all-equity financing, which results in significant dilution in 2019.

But on a go-forward basis, the two biggest issues with the stock have been addressed. The stock has declined enough in response to this deal to make it a very attractive buy for new shareholders to establish a position.

Mullen Group ([TSX:MTL](#))

Mullen Group is a diversified company that provides oilfield services as well as transportation and logistics.

While the stock has languished, the company remains a very well-run company. It has maintained a clean balance sheet throughout the energy cycle, thus giving it the flexibility to make acquisitions at the lows.

And at this time, management has stated that they are increasing their capital-expenditures program, as they are positioning the company for the rebound in oil and gas and seeing improving conditions in the trucking business.

Pason Systems ([TSX:PSI](#))

Lastly, Pason Systems is the more global company out of the three, and it's the only one that pays a dividend.

Pason currently has a dividend yield of 3.41% and although the stock has been pretty volatile and range-bound, the company continues to post impressive results, which makes it a very attractive buy.

In the latest quarter, the first quarter of fiscal 2018, the company reported a 25% increase in revenue, a four-basis-point increase in EBITDA margins, and a 60% increase in funds flow from operations.

This follow a very strong 2017.

In summary, now is a good entry point for these three top energy stocks, as we head towards the winter months and as the energy market continues to heat up.

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1. Dividend Stocks
2. Energy Stocks
3. Investing

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2. TSX:MTL (Mullen Group Ltd.)
3. TSX:PSI (Pason Systems Inc.)

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