3 Cheap Energy Stocks to Buy Now

Description

Though the price of oil has been quite volatile lately, companies' fundamentals remain strong. Energy stocks prices are catching up with the price of oil.

I present three companies in the energy sector that have high expected growth while trading at cheap prices.

Vermilion Energy (TSX:VET)(NYSE:VET)

Vermilion is an international oil and gas producer with operations in North America, Europe, and Australia.

Vermilion is the only Canadian energy company that has international exposure. The company's diversification has been a key factor in its success, benefiting from higher realized pricing, more stable cash flows, a more diversified and adaptable project portfolio, and better M&A opportunities.

The Calgary-based company's production increased by 15% in the second quarter to 80,625 barrels of oil equivalent per day (boe/d).

Greater production volumes and higher commodity prices resulted in $193 million in fund flows from operations in the second quarter, marking a 23% increase from the first quarter of 2018 and a 31% increase from the second quarter in 2017.

The production increase was primarily due to the company's acquisition of Saskatchewan oil producer Spartan Energy Corp. The company has identified additional future development and production optimization opportunities across the asset base, along with a number of cost-savings opportunities.

Vermilion's shares are down about 8% year to date. Earnings are expected to grow at a rate of 128% next year, while the P/E-to-growth (PEG) ratio expected for this period is 0.19. That means the oil and gas producer is cheap relative to its high expected future growth.

Vermilion is an interesting stock for investors seeking income, as it pays a monthly dividend of $0.23

per share for a yield of 6.6%.

Seven Generations Energy (TSX:VII)

Seven Generations is Canada's largest condensate producer.

Funds from operations were $434 million or $1.19 per share, in the second quarter, up 62% and 63%, respectively, as compared to the same quarter in 2017. Cash from operating activities were $425.2 million, up 119% from the same period in 2017.

Seven Generations's realized pricing increased 26% compared to the first quarter of 2018.

Condensate production was 69,000 barrels per day (bbls/d) and total liquids production was 110,200 bbls/d, up 17% and 14%, respectively, from the second quarter of 2017. Natural gas production was 461 million cubic feet per day, an increase of 13% compared to the second quarter of 2017.

Shares are down 16% year to date. Earnings are expected to grow by 104% next year, while the PEG expected for that period is only 0.10. That means Seven Generations is very cheap relative to its high expected future growth.

Suncor Energy (TSX:SU)(NYSE:SU)

Suncor Energy is a Canadian integrated energy company specializing in production of synthetic crude from oil sands.

The energy producer saw strong growth and strong free cash flow over the last few years, as it improved its price controls.

The company generated the strongest second-quarter cash flow on record, with funds from operations of $2.9 billion compared to $1.6 billion in the same quarter of 2017, and operating earnings of $1.2 billion compared to $199 million in the prior year quarter.

The Calgary-based company's profit more than doubled to $972 million, or $0.60 per share, in the second quarter from $435 million, or $0.26 per share, a year earlier, as the oil producer increased production.

Total upstream production rose 22.7% to 661,700 boe/d, helped by gains at its Fort Hills oil project, which began production in January.

Shares are on a rising trend since the beginning of the year, returning 14% year to date. Earnings are expected to grow by 25% next year, while the expected PEG is 0.71. Suncor is thus cheap relative to its expected future growth.

Suncor pays a quarterly dividend of $0.36 per share for a yield of 2.6%.

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