



This Overlooked and Attractively Valued Oil Stock Is a Strong Buy

Description

There are a lot of stock screening tools out there on websites and app stores across the Internet. If you want to be your own portfolio manager, you can screen stocks yourself by taking your pick of them.

Another way to get similar results is to do the math yourself. The basics of my simple [stock screening tool](#) are detailed below, and I've used it today to investigate the buy-or-sell signal of **Tourmaline Oil** ([TSX:TOU](#)).

What's today's valuation of Tourmaline Oil?

The screening tool that has been built here uses three factors, each split into three subsections. A 33 point weighting is given per factor, in order to get a total percentage score.

Each subsection is scored out of 11 – partly so they'll add up easily, but mostly so we can quote Spinal Tap. For a value weighting, I used the P/E and P/B ratios, as well as the dividend yield.

An overlooked Canadian energy stock, [Tourmaline Oil](#) has a P/E ratio today of 19.3 times earnings. This beats the industry, but trails the market by a very small margin. Its P/B of 0.8 times book looks good, while a dividend yield of 1.91% is higher than the average rate of the bottom 25% of Canadian dividend payers, but below the top 25% (in other words, it's in the 50% of Canadian stocks that pay an acceptable dividend). Add it all up, and this stock gets 25/33 on value.

Is Tourmaline Oil a good quality stock?

I used return on equity (ROE) as an indicator of quality as this shows a company's capacity to reinvest in itself to stimulate growth, as well as to make acquisitions and expand, or give back earnings to shareholders through dividends or sometimes buybacks. Earnings per share (EPS) and expected growth in earnings also make good quality indicators.

Tourmaline Oil has the following data available: a low ROE of 4%, decent EPS of \$1.09, and a solid 22.4% expected annual growth in earnings; this gives a respectable score of 23/33.

Does Tourmaline Oil have momentum?

Price momentum over time can be calculated across any period, but for the purposes of the current calculations I've gone with five days. For price volatility I used the five-year beta, since it shows variability relative to the market, which is weighted by default with a value of one. Finally, I scored valuation by comparing the share's going price to its future cash flow value.

Tourmaline Oil gained 3.63% in the last five days (at the time of writing), while its beta of 1.45 shows middling volatility; its share price, meanwhile, is overvalued by almost 25% of its future cash flow value. All in all, this gives a score of 22/33.

The bottom line

While it's not an exact science, with a fair amount of eye-balling required when giving weightings to certain factors (go ahead and replace this with exact equations for a more precise appraisal), there are enough variables included in my stock screening tool to give a quick reading of whether a stock is a buy or not.

Through it, Tourmaline Oil gets an overall score of 70%, which is a moderately strong buy signal that lines up nicely with today's analysts' buy signal of 4.25 out of 5.

CATEGORY

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TICKERS GLOBAL

1. TSX:TOU (Tourmaline Oil Corp.)

PARTNER-FEEDS

1. Msn
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Author
vhetherington

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