Here Are Some of the Best-Performing Energy Stocks in 2018

Description

Let's have a round of applause for some of the best-performing energy stocks in 2018, well, to be specific, in the last 12 months or so. While some of their peers have returned -30%, -40%, or even -50% in the last 12 months, they have held up quite nicely and are in positive territory when it comes to total returns.

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Without further ado, here are the companies.

Enerplus (TSX:ERF)(NYSE:ERF) stock is up 7.2% from 12 months ago. The company has a simple ingredient for beating its Canadian oil and gas producing peers — it generates about 80% of its revenues from the United States. This means it enjoys better pricing and margins for its oil and gas. Its recent net margin was 11.7%.

Enerplus is focused on producing Bakken oil in the Williston Basin in North Dakota and shale gas in the Marcellus in NorthEast Pennsylvania. Its production mix is about 52% natural gas, and it has been focusing on light oil growth with liquids production growth estimated to be 22% this year compared to 2017.

Enerplus, with an estimated net debt to cash flow of 0.4 this year, has the strongest financial position among 31 peers. Additionally, it forecasts to generate strong free cash flow in Q4. If so, it should send the stock higher.

The **Thomson Reuters** analysts have a 12-month mean target of $20.60 per share on the stock, which represents near-term upside potential of nearly 71% based on $12.06 per share as of writing. The stock offers a 1% yield.

Pembina Pipeline (TSX:PPL)(NYSE:PBA) stock is down about 2% from 12 months ago. However, total returns are positive at more than 2% thanks to its dividend.

As an energy infrastructure company that provides transportation and midstream services to the energy industry in North America, Pembina generates stable and growing cash flows to support its dividend. In fact, the company had increased its dividend per share for six consecutive years with a five-year dividend growth rate of about 5%.

Pembina has been growing its cash flow despite prices have fallen for the commodities it transports. In the company's investor day presentation at the end of May, it highlighted that although the WTI and AECO prices fell 33% and 78%, respectively, in the past 10 years, its adjusted EBITDA per share increased about 149%, its dividend per share increased about 50%, and its payout ratio reduced by about 38% in the period.

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The Reuters analysts have a 12-month mean target of $54.90 per share on the stock, which represents near-term upside potential of 24% based on $44.12 per share as of writing. The stock currently offers a yield of almost 5.2%.

Investor takeaway

Both Enerplus and Pembina should continue to outperform in 2019. Enerplus offers more upside potential, but it will be a more volatile ride due to its sensitivity to the ups and downs of commodity prices. Conservative investors should consider Pembina, which should be more stable and offers a juicy yield of almost 5.2%.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:ERF (Enerplus Corporation)
2. NYSE:PBA (Pembina Pipeline Corporation)
3. TSX:ERF (Enerplus)
4. TSX:PPL (Pembina Pipeline Corporation)

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