Making Millenial Millionaires With These 3 Canadian Oil and Gas Stocks

Description

The Canadian oil and gas market is still is disarray, trading at cyclical lows with no end in sight.

Buy buying stocks when they are trading at cyclical lows is one very effective way to take your cash and use it to become the next millennial millionaire.

It is not without risk, of course, but in a well-balanced portfolio that is diversified across industries, regions, and asset classes, it's a good idea to put a portion of your money into higher risk/higher return stocks.

Cyclical stocks that are trading at cyclical lows are a great way to do this, and by limiting your stocks to those that have strong balance sheets, operational excellence, and solid management teams, you can mitigate the risk.

Without further ado, here are three Canadian energy stocks that have big upside.

Tourmaline Oil Corp. (TSX:TOU)

With an 82% natural gas weighting, Tourmaline stands to benefit big in a rising natural gas price environment.

Tourmaline stock price is down 53% since January 2017, yet the company continues to deliver strong cash flows and strong production growth.

With a strong and flexible balance sheet, a large land position and management/director ownership of 21%, Tourmaline has massive upside to rising natural gas prices.

Arc Resources Ltd. (TSX:ARX)

Arc has a 71% gas weighting and has been a very strong performer, beating expectations on both the production and cash flow fronts.

Arc Resources stock is down 62% since January 2017, yet the company continues to deliver strong cash flows and strong production growth.

The company has a reserve life index of over 10 years (on a proven basis) and has high-quality assets in the prolific Montney area, with a 15-year drilling inventory.

And Arc's 7.2% dividend yield pays us to wait for a recovery in the share price.

Peyto Exploration and Development Corp. (TSX:PEY)

Peyto has been struggling with persistently low natural gas prices, as reflected in third quarter cash flows, which declined 16% year-over-year, as management made the decision to shut-in certain unhedged natural gas volumes this quarter.

In response, management is attempting to combat low natural gas prices by focusing more on natural gas liquids (ngls).

The stock has plummeted 77% since January 2017.

But in 2019, cash flows should look better, as 20% of volumes will be exposed to U.S. natural gas pricing and the company has shifted drilling focus to liquids.

Peyto stock has a dividend yield of 10%, and although the market is pricing in a dividend cut, it still appears easily covered by cash flows. Should a cut happen, it's already priced into the stock.

Final thoughts

In closing, natural gas prices have rallied lately, and any sustained rally will drive up these natural gas stocks, which are trading at very depressed levels. And strong dividend yields provide income while we wait for the big upside.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:ARX (ARC Resources Ltd.)
2. TSX:PEY (Peyto Exploration & Development Corp)
3. TSX:TOU (Tourmaline Oil Corp.)

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