2 Oil and Gas Dividend Stocks to Buy for Your RRSP in 2019

Description

The price of oil has been volatile, bringing with it much uncertainty and difficulty in valuing oil and gas stocks.

As a result, many stocks in this sector have suffered big downside regardless of their company-specific successes and strengths.

Here I take a look at two global oil and gas dividend stocks to buy in this downturn that can provide big upside to your RRSP and your retirement income.

Pason Systems Inc. (TSX:PSI)

Pason stock is trading close to 52-week highs amid continued top notch results while providing a dividend yield of 3.92%

Pason is an oilfield services company that is just as much of a technology company, with a clear dominance in Canada and the opportunity to continue to expand into new products, industries and geographic markets.

The company's competitive advantage lies in the technology that it has and continues to bring to the market, making the oil and gas business a less risky and more profitable one.

Pason has a strong track record, and when we look at its history, we can see evidence of strong cash flow generation, consistent dividend increases, and a very profitable business model.

In the first nine months of 2018, Pason reported a 25% increase in revenue, a 574 basis point increase in EBITDA margins, and a 64% increase in funds flow from operations.

Shawcor Inc. (TSX:SCL)

Shawcor stock is still trading around 10-year lows.

Yes, the oil and gas industry has had it rough for some time now. Volatility and pockets of extreme weakness have been the norm.

For its part, Shawcor has been struggling in a difficult market where spending on infrastructure has stalled.

But declining revenue and declining earnings have been accompanied by rising free cash flows and a strengthening balance sheet.

As an illustration of this, we can just look at results since 2013, which show a 15% decrease in revenue, net income falling off a cliff to $72 million from $219 million, but free cash flow that has been positive in the last four years.

And although company’s third quarter 2018 results show continued declines in revenue, an 11% decline to be more precise, and a 46% decline in EPS, the numbers were better than expected and may signify the beginning of an uptrend.

Also, although cash flow was weak, the balance sheet has now accumulated $190 million in cash, up from below $80 million in 2013, so there is definite financial flexibility here, which goes a very long way in downturns.

The long-term trend is good, as the aging global energy infrastructure is still in dire need of investment.

Revenue and earnings are expected to accelerate into 2019.

So I expect Shawcor stock to outperform in the coming years, and this dividend stock, currently yielding 3.34%, to be a top energy stock.

Investors, snatch up these two global oil and gas dividend stocks for strong 2019 returns.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:MATR (Shawcor)
2. TSX:PSI (Pason Systems Inc.)

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