



## Will 2019 Be the Year of Natural Gas Stocks?

### Description

It has been a long and difficult road for the [Canadian natural gas industry](#).

What was once the most sought-after energy source, with Canadian natural gas prices hitting highs of just shy of \$8 back in 2008, has since been a market in disarray.

The causes of this are the infamous infrastructure problems that are also plaguing Canadian oil industry, driving down oil pricing to levels significantly below U.S. prices and causing significant difficulties in the industry.

So yes, I know that the industry looks dire right now.

But I also know that this type of cyclicity is not a new thing and that buying at [cyclical lows](#) is a better strategy to make money than buying at cyclical highs, despite the fact that it is much scarier.

It is always scary to go against the consensus.

To do this successfully, we must stick with companies that have good track records, good management teams, good assets, and a sustainable business model.

Without further ado, here are the Canadian natural gas stocks that have massive upside.

### Peyto Exploration and Development ([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.

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 almost 10%, and although the market is pricing in a dividend cut, it still appears easily covered by cash flows. And should a cut happen, it's already priced in the stock.

## Tourmaline Oil ([TSX:TOU](#))

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

Tourmaline's 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.

## In summary

These names are not for the faint of heart, and I would not recommend putting too much of your portfolio in them, but for a small percentage of your portfolio, you can expose yourself to massive upside, as industry problems slowly get resolved and the companies that are left standing benefit big time.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. Editor's Choice

### TICKERS GLOBAL

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2. TSX:TOU (Tourmaline Oil Corp.)

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