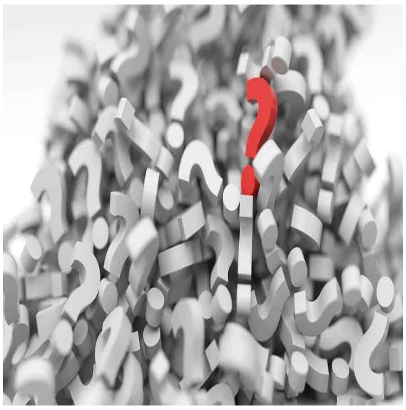

Which Blue-Chip Canadian Energy Stock Belongs in Your TFSA?

Description

The TSX index currently offers Canadians looking to invest in energy a lot of well-valued stocks, with strong track records and tasty dividends to boot. Below, you will find three of the best blue-chip energy stocks available right now, with a good mix of market variables and sturdy balance sheets. However, one of the following passive-income-paying tickers is a better buy for your TFSA than the other two — can you spot it?

Parkland Fuel (TSX:PKI)

An outstanding one-year past earnings growth of 395.3% beats the 15.6% Canadian energy average for the same 12 months, while Parkland Fuel's five-year average past earnings growth of 10.8% just grazes the corresponding industry norm of 10.9%. With a forecast 43.2% annual growth in earnings on the cards, this growth is set to continue.

The downside is a bit of debt and possible slight overvaluation: with comparative debt of 126.5% of net worth, some risk-averse investors may be a little sniffy, while a slightly high of P/E of 25.9 and too-high P/B of 2.7 indicate that you may be paying over the odds at today's prices.

This potential overvaluation in terms of assets is mitigated by a low PEG of 0.6 times growth and a share price that is currently discounted by 41% compared to the projected cash flow value; valuation, therefore, is determined by which indicators you put more faith in. Meanwhile, a dividend yield of 3.35% makes this one of the best dividend-paying energy stocks on the TSX index today.

Husky Energy (TSX:HSE)

A huge one-year past earnings growth of 609.1% far and away outstripped the industry average, though an overall five-year average past earnings shrinkage by 4.9% indicates some doubt over whether Husky Energy is a really strong buy right now. A PEG ratio in the negative zone and 2.8% expected contraction in earnings over the next couple of years are further worrying points.

Good sides to this stock include low debt of 31.6% of net worth and some inside buying, while great valuation is shown by a low P/E of 8.2 and P/B of 0.8. Furthermore, its share price is discounted by 43% compared to its future cash flow value. All told, the dividend yield is currently 3.27% for this TSX index favourite.

TransCanada (TSX:TRP)(NYSE:TRP)

Value isn't this stock's strong suit right now: a PEG of 2.1 is too high, and though its P/E is 14.3, the P/B ratio is up at twice the going book value. Intrinsic value hunters may argue that its share price is discounted by 4%, however. The dividend yield is 5.22% at today's price.

In terms of track record, growth investors can look to a one-year past earnings growth of 86.1%. While a five-year average past earnings growth of 8.4% is fairly low, it is at least positive, but it's lower than Parkland Fuel's ongoing average. Likewise, TransCanada's 6.8% expected annual growth in earnings doesn't touch Parkland Fuel's rosy outlook.

The bottom line

Though TransCanada pays the bigger dividend yield, Parkland Fuel is the better stock in most other regards. An honourable mention must go to Husky Energy's great past-year earnings growth, with that stock also being nicely undervalued (good news for value investors), and with a neat dividend yield on offer. All told, these are three of the best high-quality energy stocks on the TSX index and would make wise additions to a defensive passive-income-focused portfolio.

CATEGORY

1. Dividend Stocks
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TICKERS GLOBAL

1. NYSE:TRP (Tc Energy)
2. TSX:PKI (Parkland Fuel Corporation)
3. TSX:TRP (TC Energy Corporation)

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