Is This the Best Cheap Energy Stock on the TSX Right Now?

Description

The TSX index is renowned for its rewarding and undervalued dividend stocks. Great deals can be found on everything from gold miners to bankers, from utilities to infrastructure, and more. It's no surprise, then, that some of the best energy stocks on the biggest Canadian stock market are currently showing signs of undervaluation.

Today, some of the best cheap stocks available for domestic buyers looking to invest in the stock market are big-name energy tickers with a decent mix of soothing multiples and attractive dividend yields. One of the best of these cheap energy stock has to be **Keyera** (TSX:KEY), one of the largest oil and gas operators in the country.

Keyera occupies a key area of the energy sector

But while this stock is cheap, is it indeed good value? Let's review the key stats here: a PEG ratio of 1.9 times growth is a little high for a dividend stock if you like to buy low and lock in as wide a yield as possible; meanwhile, Keyera's P/E of 18 times earnings is higher than both the TSX index and the industry average, while a P/B of 2.3 times book is more than double that for the Canadian oil and gas industry as a whole.

A one-year past earnings growth of 34.1% beats the same 12-month Canadian oil and gas average of 15.6% as well as its modest five-year average past earnings growth of 11%, making the past year a "key era" for Keyera. This growth is set to continue for the next one to three years, with a 9.6% expected annual growth in earnings — great news for dividend investors who like to buy and hold for years.

A quality dividend stock with some momentum

Though a fairly high debt level of 87% of net worth may have some low-risk buyers scratching their heads, today's prices gives a dividend yield of 6.4%, which pairs nicely with that expected growth. Further indicators that this is a good-quality stock are a past-year ROE of 12%, which indicates moderately good use of shareholders' funds, plus a positive last-quarter EPS of $1.56.

While not the most wildly oscillating momentum stock on the TSX index, Keyera nevertheless displays some decent stats in this regard: having gained 5.10% in the last five days, its share price is discounted by 14% against future cash flow value, and its beta of 1.36 indicates above-industry level volatility.

These stats can be compared with those of key competitor, **Enbridge** (TSX:ENB)(NYSE:ENB). Up 4.76% in the last five days, investors looking for upside should have something to smile about if they hold this core Canadian energy stock. Newcomers may be a little peeved that it's ever so slightly overvalued against future cash flow value, though, with a P/E ratio of 47.4 and P/B of 1.6 confirming this overvaluation.

The bottom line

There are a few healthy, rewarding, and cheap energy stocks out there on the TSX index to choose from at the moment, with Keyera being one of the best. However, if you want a stock with a lower P/B ratio, Enbridge remains one of the very best defensive dividend stocks on the TSX index, with a chunky yield of 6.43% backed up with a sizable 33.6% expected annual growth in earnings.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

TICKERS GLOBAL

1. NYSE:ENB (Enbridge Inc.)
2. TSX:ENB (Enbridge Inc.)
3. TSX:KEY (Keyera Corp.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

Date
2025/08/21
Date Created

2019/01/13

Author

vhetherington