



## Revealed: 3 Dirt-Cheap Energy Stocks Trading Under \$5 Per Share

### Description

After years of being in the dumps, it may very well be time to buy Canadian energy stocks again.

Here are a few reasons why. Alberta's mandated production cuts are working exactly as planned, at least so far, and it appears that OPEC will follow suit. And affected companies have had years to get their cost structures under control, which means they need just a modest improvement in energy prices to generate significant cash flow.

These beleaguered energy producers need just a small break on the commodity price and they could see their share price double — or even more. Just look at recent history. It happened in early 2016 and again last year, and it could very well occur again this year.

You won't want to miss out if it does. Here are three names in particular that look ready to soar.

### Crescent Point

After years of being the darling of the sector, **Crescent Point Energy Corp** (TSX:CPG)(NYSE:CPG) has fallen back to Earth.

The company has been plagued by several dividend cuts, activist shareholders rattling the chains, and a balance sheet that seems to just keep getting worse. It's gotten so bad that some analysts have started [whispering about bankruptcy](#).

I'm not convinced, as the company still has a lot going for it. It still has some of the best assets in Canada, locations that offer plenty of light sweet oil that is cheap to get out of the ground. The company still generates plenty of cash flow, which is being reinvested into more production without making the balance sheet any worse. And management recently instituted a share repurchase program to gobble up what they view as massively undervalued shares.

### Baytex

**Baytex Energy Corp** ([TSX:BTE](#))(NYSE:BTE) is another oil producer that needs just a little help to really start producing serious cash flow.

After completing its merger with Raging River, Baytex is now a diversified operator with production in Alberta, Saskatchewan, and the Eagle Ford formation in Texas. Its focus on low-cost areas with high netbacks has been a smart one, with management predicting funds from operations could be \$550 to \$650 million even with crude oil staying around US\$50 per barrel. Funds flow could hit \$1 billion if crude spends most of 2019 at \$65 per barrel.

The company has also gotten smart and instituted a hedging program. But not all production is hedged, as that would sacrifice some upside. Approximately 30% of 2019's production has its selling price locked in.

Baytex shares currently trade hands at \$2.14. They were above \$4 each as recently as August. If oil recovers significantly, we'll easily see the \$4 level again.

## Gran Tierra

**Gran Tierra Energy Inc.** ([TSX:GTE](#))(NYSE:GTE) is an oil producer with assets in Colombia. Operating in Latin America has a number of advantages, including lower cost labor and getting a higher price for production, since oil from Colombia is priced using the Brent Crude benchmark price.

The company has a measured expansion plan during these tough times. 2018's production should be approximately 37,500 barrels per day. It plans to increase that to about 41,000 barrels per day in 2019. This growth will all be internally funded.

Unlike both Baytex and Crescent Point, which have significant debt, Gran Tierra's balance sheet is in good shape. It owes just US\$310 million to creditors versus assets worth some US\$1.75 billion. Management estimates the company's net asset value to be more than \$11 per share, a massive premium versus the current TSX trading price of \$3.05.

## The bottom line

If you believe oil will recover in a big way in 2019, then producers like Crescent Point, Baytex, and Gran Tierra are no-brainer buys today. But investors do have to be careful, at least with Crescent Point and Baytex, which both have messy balance sheets.

Still, there's plenty of potential here, and these companies have each done a nice job getting costs down. They're poised to recover in a big way if the commodity cooperates.

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2. NYSEMKT:GTE (Gran Tierra Energy Inc.)
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