



2 Natural Gas Stocks That Surged up to 8% Yesterday

Description

As oil and gas prices continue their climb higher, and as bad news is somewhat replaced by good or not-so-bad news, oil and gas stocks had a good day yesterday.

I'll zero in on two natural gas stocks that not only stand to benefit from a strengthening macro environment (i.e., rising natural gas prices) but also from their own company-specific excellence (i.e. rising cash flows and strong balance sheets).

These stocks rank high on my [value](#) screener, which screens for cash flow growth, balance sheet strength, and attractive valuations.

Nuvista Energy ([TSX:NVA](#))

Nuvista stock has gotten crushed since its highs of last year, losing half of its value. And with a 60% [natural gas](#) weighting, we can easily see why.

And while Nuvista is certainly a contrarian's stock in an industry that is at cyclical lows, it is trading at value prices, and it has massive upside when the cycle turns.

Fundamentally, the company is on a roll, and its exposure to the very prolific Montney resource play is expected to continue to drive strong results in the next few years. We can expect strong production growth of almost 20% this year, and the company is achieving a more than 30% growth in cash flow per share.

Storm Resources ([TSX:SRX](#))

Storm Resources is a very familiar story in the oil and gas world.

The management team has started and sold oil and gas companies in the past, only to reincarnate with another venture aimed at repeating the same success story.

The company is involved in the prolific Montney and Horn River areas, with an 82% natural gas weighting and a history of value creation behind its management team, which, along with the board, own 14% of shares outstanding. That's a level of insider ownership that signifies a good alignment of interests.

The stock has also been hit hard lately, losing 70% of its value in the last three years. But it really comes as no surprise to anyone, as the macro environment in the natural gas industry has been pretty brutal.

But through it all, Storm Resources has been growing its production in the 20% range in 2017, with similar growth expected in 2018, and growing its cash flow per share by 84% in 2017 and with 20% growth expected in 2018.

Final thoughts

These energy stocks have tremendous leverage to rising commodity prices.

They are sitting here with very strong balance sheets (a 17% debt-to-market-cap ratio for Storm and a 27% debt-to-market-cap ratio for Nuvista), excellent capital discipline, and strong assets.

They are waiting for the tide to turn, taking care of what is in their control, and taking care of it really well.

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Date

2025/08/15

Date Created

2019/02/13

Author

karenjennifer

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