4 Hot Energy Stocks for the Low-Risk Growth Investor

Description

From insider confidence to high expected annual growth in earnings, there's a good mix of stats for potentially overlooked energy on the TSX index at the moment. But before you go ahead and invest in a would-be money spinner based solely on its outlook, why not take a quick look at the data and see whether the following tickers are suitable for mid-term investment?

Canacol Energy (TSX:CNE)

Up 6.79% in the last five days ta the time of writing, Canacol Energy has been recovering in fits and starts after falling in a ditch last August. There are a few red flags to sort through before getting round to the reasons to buy, such as negative one- and five-year average past earnings growth rates coupled with a so-so balance sheet and a P/B of 2.7 times book indicated per-asset overvaluation, for instance.

Lacking dividends, Canacol Energy falls into the capital gains investment category. Quality is indicated by an expected three-year ROE of 21.1%, while performance indicators include a 100.2% expected annual growth in earnings, which is significantly high for an energy stock on the TSX index.

NuVista Energy (TSX:NVA)

Down 3.17% in the last five days, NuVista Energy went into freefall back in October and has spent much of 2019 oscillating around the $4 mark. However, unlike the previous stock, NuVista Energy saw a positive 2018, with a one-year past earnings growth of 9.8%. A longer track record is indicated by a five-year average growth rate of 44.8%

Below-threshold debt places NuVista Energy in the low-risk section of Canadian energy, and with insiders buying more shares than selling in the past three months, and in significant volumes, it's looking like a moderate to strong buy. Decent value for money is indicated by a P/E of 11.1 times earnings and P/B of 0.7 times book, and there's a 37.7% expected annual growth in earnings on the way.

Advantage Oil & Gas (TSX:AAV)

Up 7.02% in the last five days, it looks as though a generally downhill trajectory since the middle of 2018 may finally be at an end. Indeed, with a 29.4% expected annual growth in earnings on the way over the next one to three years, Advantage Oil & Gas looks set to continue a positive five-year average past earnings growth of 25%.

More shares have been bought than sold by Advantage Oil & Gas insiders over the last few months, heralding sturdy inner-circle confidence. An acceptable debt level of 19.9% of net worth indicates a stock that capital gains investors can hold with relatively low risk, and while a P/E of 56.5 times earnings may be at the high end of the scale, a P/B of 0.3 times book shows undervaluation in terms of assets.

Frontera Energy (TSX:FEC)

The only dividend-payer on the list, Frontera Energy is looking like a decent play for passive income. This is an attractively valued stock, indicated here by a P/B ratio of 0.8 times book, with a decent balance sheet typified by an acceptable comparative level of debt at 27.5% of net worth. Though Frontera Energy has a negative one-year earnings rate, its five-year average earnings growth has been positive at 12.4%

The main reasons to buy are a moderate dividend yield of 2.54%, matched with a 179.6% expected annual growth in earnings, which has to be one of the largest projected increases in profitability for any stock currently trading on the TSX index.

The bottom line

With Frontera Energy being the strongest buy among the four stocks described above in terms of both upside potential and passive income, the other three energy stocks are currently offering capital gains investors a route to relatively low-risk windfalls.

CATEGORY

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

TICKERS GLOBAL

1. TSX:AAV (Advantage Oil & Gas Ltd.)
2. TSX:CNE (Canacol Energy Ltd)
3. TSX:FEC (Frontera Energy Corporation)
4. TSX:NVA (NuVista Energy Ltd.)

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