Warning: No 2 Canadian Energy Stocks Look the Same Right Now

Description

The Canadian oil and gas space seems to be having a crisis of identity at the moment, with no clear norms emerging among the most popular energy stocks. From wildly varying P/E ratios to very different outlooks in earnings from stock to stock, there may still be bargains to be had in some desirable tickers, but shopping for oil and gas investments on the TSX index is no walk in the park right now.

The best of the rest

While **ATCO** (TSX:ACO.X) insiders have sold more shares than bought them over the last 12 months, there are a few good reasons to stack shares of this geographically diversified logistics, electricity, and pipelines stock. Looking past its somewhat bloated balance sheet, a strong track record (illustrated by a one-year past earnings growth of 49.8%) meets decent value for a moderately strong buy.

Value investors should look no further than a P/E of 15.8 times earnings and P/B of 1.4 times book, both of which are close to the going rate for the TSX index, while buyers looking for a good dividend stock should be pleased to see a yield of 3.57% augmented by a 6.4% expected annual growth in earnings. While it may not be much of a growth stock, the outlook is positive at least, and the rest of the stats make a good all-round mix.

One of the strongest plays for Canadian energy still has to be **TORC Oil & Gas** (TSX:TOG). An acceptable debt level of 22.4% of net worth blends nicely with such stats as a P/B of 0.6 times book, dividend yield of 6.14%, and 41.5% expected annual growth in earnings. More shares have been picked up than let go by TORC Oil & Gas insiders in the last three months, so a potential shareholder would be in good company.

Playing it safe

Doubtful investors who want to stick to tried-and-tested TSX index tickers should consider stocks like **Canadian Natural Resources** (TSX:CNQ)(NYSE:CNQ). Canadian Natural Resources's past-year earnings growth beat its five-year average (8.1% compared to -1.8%). While its level of debt compared to net worth has gone up over the past few years (37.5% compared to 64.5% today), it's well covered by its operating cash flow.

In short, we have a fairly healthy stock that can go the distance, and trading with decent multiples, too, from a P/E of 17.4 times earnings to a market-beating P/B of 1.4 times book. Match a +50% discount off the future cash flow value with a dividend yield of 4.04% and 13% expected annual growth in earnings, and you have a solid, low-risk contender.

Then again, you could stick with the Big Two and stack shares in TSX index super-stock **Enbridge** (TSX:ENB)(NYSE:ENB). Again, a solid track record (see a five-year average past earnings growth of 33%) meets attractive value (shown by a P/B of 1.6 times book). A high dividend yield of 6.01% combined with a 34.7% expected annual growth in earnings make this stock a strong, defensive buy.

The bottom line

Investors looking to pack a TFSA, RRSP, RRIF, or other long-range plan will have to remain vigilant as the energy sector wades deeper into a potentially turbulent year. For example, value investors will have to weigh up how much TORC Oil & Gas's high P/E of 52.4 times earnings bothers them, while TSX index super-stock investors will have to consider statistics such as Enbridge's debt level of 88.7% of net worth and P/E of 33.7 times earnings.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
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2. NYSE:ENB (Enbridge Inc.)
3. TSX:ACO.X (ATCO Ltd.)
4. TSX:CNQ (Canadian Natural Resources Limited)
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Date
2025/07/21
Date Created
2019/03/15
Author
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