



3 of the Best Canadian Energy Stocks With Questionable Value

Description

The following three TSX index energy stocks have questionable value at the moment from market ratios that are slightly too high to a lack of data that makes inherent value hard to analyze. However, from uranium to [big-name utilities](#), these stocks are worth holding in a portfolio based on other aspects of their data, from strong track records to positive outlooks.

Cameco ([TSX:CCO](#))([NYSE:CCJ](#))

This uranium supplier doubles as a metals stock as well as an energy stock, while potentially coming into the purview of any infrastructure investor with an interest in widespread electricity provision. Down 2% at the time of writing, there's a slight value opportunity at the moment — though with a P/E of 37.5 times earnings, value isn't Cameco's strong point, hence its inclusion here.

Cameco's share price has been generally rising since this time last year, though a protracted slump characterized the late summer/early fall period. More shares have been bought by insiders in recent months than sold, and in large volumes, and with one-year returns of 34.5% that beat both the market and the Canadian metals and mining industry, it's easy to see why this stock is popular.

Though Cameco's level of debt compared to net worth has risen of late (from 25.9% five years ago to today's 30% today), that level is within the safety zone, denotes a strong balance sheet, and is well covered by operating cash flow. A small dividend yield of 0.51% matched with a 24.6% expected annual growth in earnings round out a solid buy signal.

Hydro One ([TSX:H](#))

Up 1.41% in the last five days, this ubiquitous TSX index ticker's recent track record of negative earnings doesn't do it any favours, though a chunky dividend yield of 4.43% and 29% expected annual growth in earnings are two solid reasons to buy.

While a trailing 12-month P/E ratio is not available for Hydro One for analysis, a forward P/E of 15.2

times earnings indicates that this stock trading with a P/B of 1.4 times book is pretty much market weight, though an inherent valuation per future cash flow value (also not available) would help paint a more accurate picture.

TransCanada ([TSX:TRP](#))([NYSE:TRP](#))

With a five-day change of +0.38%, TransCanada has been climbing steadily since the start of the year, albeit with frequent small peaks and troughs. One of the most [important energy stocks](#) on the TSX index, TransCanada's one-year returns of 12.7% beat the industry and the market, while its one-year past earnings growth of 18.1% matches the oil and gas industry average.

The usual market ratios look good at first glance, with a good P/E of 15.3 times earnings and so-so P/B of 2.2 times book. However, a PEG of 5.7 times growth tells a different story, with a minimal 2.7% expected annual growth in earnings letting the team down. A dividend yield of 5% is the main draw here in addition to the capital gains potential from that rising share price.

The bottom line

Add to the opaque nature of Hydro One's value-related stats its increased level of debt to net worth over the past five years (from 122.6% to 129.1%), and you have an asset to eye with caution, however tempting its large market share, strong outlook, and decent dividend yield may be. Meanwhile, Cameco is a strong play in a space that is both niche and in high demand, and TransCanada looks like it could continue to reward with upside.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Metals and Mining Stocks

TICKERS GLOBAL

1. NYSE:CCJ (Cameco Corporation)
2. NYSE:TRP (Tc Energy)
3. TSX:CCO (Cameco Corporation)
4. TSX:H (Hydro One Limited)
5. TSX:TRP (TC Energy Corporation)

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