3 Canadian Energy Stocks to Buy Now

Description

Many energy stocks have been beaten up from their highs. These three Canadian energy stocks have lots of upside potential. So, you should take a closer look. Did I mention that they also pay dividends that give back periodic returns?

Here we go!

Encana (TSX:ECA)(NYSE:ECA)

Encana is a North American producer of oil, natural gas liquids, and natural gas. So, its bottom line will more or less be directly affected by the prices of the underlying commodities.

In 2018, Encana generated about US$308 million of free cash flow.

Its recent net margin was 19.4%. It has an investment-grade S&P credit rating of “BBB” and its weighted average interest rate is about 8.2%, which may indicate it’s a higher-risk stock.

Encana stock trades at about 43% below its high in October 2018. Analysts from **Thomson Reuters** have a 12-month mean target of US$10.40 per share on Encana, which represents nearly 43% near-term upside potential at US$7.28 per share as of writing. Currently, Encana offers a yield of about 1%.

If you have a low appetite for risk, you should consider the following two energy stocks instead. They offer safer dividends that have been increasing for more than a decade.

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ)

Canadian Natural Resources is a large oil and gas producer with a diversified mix of products, including oil sands mining and upgrading, natural gas, heavy crude oil, and light oil.

Canadian Natural Resources's recent net margin was 12.3%. In 2018, it generated about $5.9 billion of free cash flow. It has an investment-grade S&P credit rating of "BBB+" and its weighted average interest rate is about 4.6%, which indicate it's a lower-risk stock than Encana.

Canadian Natural Resources stock is about 15% below its high in April 2018. Reuters has a 12-month mean target of $46.40 per share on Canadian Natural Resources, which represents nearly 20% near-term upside potential at $38.78 per share as of writing.

Canadian Natural Resources is a Canadian Dividend Aristocrat; it has increased its dividend per share for 18 consecutive years with a five-year dividend-growth rate of 18.4%. Currently, Canadian Natural Resources offers a safe yield of about 3.8%.

Suncor Energy (TSX:SU)(NYSE:SU)

Suncor is an integrated energy company and has generated cash flows throughout cycles.

Suncor's recent net margin was 8.5%. In 2018, it generated about $5.2 billion of free cash flow. It has an investment-grade S&P credit rating of "A-" and its weighted average interest rate is about 7%.

Suncor stock is about 15% below its high in June 2018. Reuters has a 12-month mean target of $54.20 per share on Suncor, which represents near-term upside potential of more than 21% at $44.56 per share as of writing.

Suncor is a Canadian Dividend Aristocrat; it has increased its dividend per share for 16 consecutive years with a five-year dividend-growth rate of 14.6%. Currently, Suncor offers a safe yield of about 3.8%.

Investor takeaway

Encana seems to be the riskiest of the three but has the largest upside potential. Summer tends to be a seasonally strong period for energy stocks, which could cause Encana, Canadian Natural Resources, and Suncor to surge. Investors with an appetite for volatility should do their due diligence on each stock to determine which they might invest in for the summer.

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2. Energy Stocks
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