3 Soaring Energy Stocks for the Natural Gas Bulls

Description

With commodities like natural gas, we would normally see low prices be rectified via production cuts, which would rebalance the supply/demand fundamentals and support the price.

But this has obviously not happened, as producers kept low cost production up and Canadian natural gas prices were affected by limited pipeline and no access to international markets.

On Friday, natural gas stocks soared, continuing their year-to-date out performance amid continued positive news on the LNG front and amid major acquisition activity in the oil and gas market (i.e., Chevron Corp. buying Anadarko Petroleum Corp.)

Given these developments, I am bullish on this commodity.

Because at the end of the day, in the transition to cleaner, environmentally-friendly energy, natural gas emerges a winner.

Here are three soaring energy stocks for all of my fellow natural gas bulls out there.

Nuvista Energy Ltd. (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.

But year-to-date, we are seeing some life, with Nuvista stock price rising 15%.

And while Nuvista is certainly a contrarian's stock in an industry at cyclical lows, it is trading at value prices with 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 pay off 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.

Peyto Exploration and Development Corp. (TSX:PEY)

Since 2010, Peyto's production has increased from roughly 20,000 boe per day to almost 120,000 boe per day.

And although production is set to decline in 2019 due to reduced spending, the company expects to increase production thereafter as a result of its increasing focus on higher margin liquids production.

In 2019, cash flows should look better, as 20% of volumes will be exposed to U.S. natural gas pricing and as the company has shifted drilling focus to liquids.

Peyto stock still pays a 3.35% dividend yield and stands to benefit greatly from future LNG plants.

Encana Corporation (TSX:ECA)(NYSE:ECA)

Encana is a good option for those investors seeking a company that is less leveraged to natural gas.

With only 55% of its production being natural gas, compared to well over 80% for Peyto, Encana has the benefit of having leverage to natural gas while also benefitting from strong oil prices today.

Encana stock has rallied 22% year-to-date.

The company has a lot of room for cost-cutting, and its top tier North American resource plays such as the Duvernay, the Permian and Montney, position it really well going forward.

In 2018, Encana's operating cash flow is expected to be up as much as 60%, as the company has benefitted from rising production (+11%), higher realized oil prices (+23%), and declining costs.

Given the company's five-year plan for maximizing cash flow and increasing margins, as well as its enviable asset base, we can expect good times for Encana in the years ahead.

CATEGORY

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TICKERS GLOBAL

1. TSX:NVA (NuVista Energy Ltd.)
2. TSX:PEY (Peyto Exploration & Development Corp)

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