3 Canadian Energy Stocks to Buy Now for Long-Term Dividends

Description

Never mind the usual large-cap utilities companies: the following three Canadian energy stocks offer a better mix of value, future growth, and passive income. Let's take a look at the stats for three of the best oil and gas stocks on the **TSX index** for a long-term dividend investor.

Husky Energy (TSX:HSE)

Just right for an RRSP or TFSA, this sometimes overlooked TSX index energy stock was up 1.68% at the time of writing and saw a one-year past earnings-growth rate of 89.1%. While Husky Energy underperformed the Canadian energy industry over the past year and made a ROE of just 7% for the same period, more shares have been bought than sold by Husky Energy insiders in the last three months, and in fairly high volumes.

Its five-year average track record could be better, though with a past earnings growth of 4.4%, at least it's in the black. A debt level of 31.7% of net worth shows an adequate balance sheet, meanwhile, and a range of stats delineate what is essentially an undersold stock, from a 41% discount off its future cash flow value to a P/E of 10.2 times earnings and P/B of 0.8 times book. Growth investors may be turned off by a projected drop of 7.4% in annual earnings, though a dividend yield of 3.45% may tempt in equal measure.

Parkland Fuel (TSX:PKI)

With one-year returns of 36.4% that beat the energy industry average, solid one-year past earnings growth of 151.2%, and a five-year average past earnings-growth rate of 20.9%, Parkland Fuel is an outperforming stock that deserves your attention.

As with any stock worth having, the stats are a bit mixed for Parkland Fuel. Value could be better, with a P/E of 25.5 times earnings and P/B of 2.9 times book showing overvaluation, while a past-year ROE of 11% is below the significant 20% level. Parkland Fuel's level of debt compared to net worth has increased over the past five years from 82.7% to the current 125.7%.

So, why buy? A 42% discount off the future cash flow value suggests that more upside is on the way, which is backed up by an 18.3% expected annual growth in earnings. Passive-income investors, including those padding out a TFSA or looking to grow a nest egg such as an RRSP, should be interested in a dividend yield of 3.01%.

TransCanada (TSX:TRP)(NYSE:TRP)

Up 1.11% in the last five days at the time of writing, TransCanada is one of the most popular stock on the TSX. Its past-year returns of 13.3% beat the gas and oil sector for the same 12 months, while a one-year past earnings growth of 18.1% and five-year average of 15.7% show that TransCanada hasn't been out of fashion for some time.

More shares have been bought than sold by TransCanada insiders in the past three months, but only by a narrow margin, with large volumes of shares have been both bought and sold recently. However, it remains an attractively valued stock, with a 42% discount and P/E of 16 times earnings.

The bottom line

TransCanada's level of debt compared to net worth has increased over the past five years from 128% to 162.2% today and is not well covered by operating cash flow. However, if you can look past an inadequate balance sheet, this stock is a strong play on the energy section of the TSX index. Its dividend yield of 4.79% is sufficiently high to make it the winning stock on today's list.

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2. TSX:PKI (Parkland Fuel Corporation)
3. TSX:TRP (TC Energy Corporation)

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