



RRSP Investors: Act Now! These 2 Energy Stocks Have Finally Bottomed With Big Upside to Come

Description

With the market sell-off and pressure still rearing its ugly head, sending richly valued and undervalued stocks alike plummeting, we can at least say that the energy sector is nearing a bottom. This selling action is not new for the energy sector and [energy stocks](#), which are now pricing in significant pessimism.

So, while the market in general may have a lot of downside left, I think the energy sector is already there and showing signs that it is bottoming out.

Two oil and gas companies reported their first-quarter 2019 results yesterday. Results show investors evidence that the state of the oil and gas industry is not as bad as what the stocks are pricing in.

Freehold Royalties ([TSX:FRU](#))

Freehold Royalties once again reported a quarter that demonstrates its cash flow power and its reliability as a dividend stock.

Generating funds from operations of \$29 million, paying out \$18.6 million in dividends, with production declining 9% from the same period last year, we can see that the dividend remains nicely covered with ample flexibility.

Freehold's free cash flow yield is 12%, and its dividend yield is currently 7.23%. Free cash flows will be deployed toward debt reduction, acquisitions, and the dividend, with the goal of maximizing shareholder value.

It's a good time to be buying in the energy sector, with depressed valuations everywhere, so I look forward to some compelling transactions.

Although we continue to see solid results from Freehold, the stock remains depressed.

Nuvista Energy ([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 the company's first-quarter 2019 results, which were released yesterday, paint a different story.

Production increased 21% versus the same period last year, adjusted funds flow increased 13%, netback increased 29%, and costs are coming down, with a 7% reduction in operating costs and a 24% reduction in net G&A expenses.

Clearly, Nuvista is on a roll, and its exposure to the very prolific Montney resource play is expected to continue to drive strong results in the next few years. We can expect strong production growth of almost 20% this year, and we can expect to see cash flow growth of north of 30%.

Final thoughts

While the market in general seems to be adjusting to and factoring in more of the risks that are present today, energy stocks have spent the last few years doing that and, at this point, are showing real value and improvements, which confirms my thesis that energy stocks are bottoming and have big upside.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:FRU (Freehold Royalties Ltd.)
2. TSX:NVA (NuVista Energy Ltd.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
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