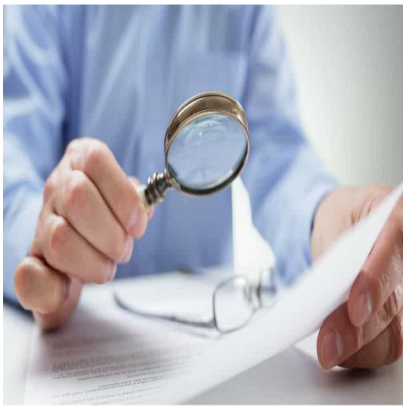

Which Energy Stock Is Best for Income?

Description

A friend of mine once said that the only thing he ever learned from investing in natural gas was how to lose money. For the better part of the past five years, this philosophy has continued to hold true, with natural gas producers share prices heading further down the drain year after year. The energy sector in general, and natural gas has been no exception, has been a great way to lose money year after year.

If you do have a desire to invest in the space, hoping for the lottery ticket turnaround, you probably want to pick a dividend payer to give you some income while you wait. There are a couple of producers, like **Peyto Exploration and Development Corp.** (TSX:PEY) and **Tourmaline Oil Corp.** (TSX:TOU), that might be in your mind when you are looking to invest.

Both of these companies have failed to push their share prices higher in recent years and have faced the curse of the commodity business. In this industry, no matter how well run the business is, a price taker gets crushed when the commodity is out of favour. Although you may be tempted to own Peyto due to the higher monthly dividend, I hope to convince you that Tourmaline, with its smaller current yield, is probably the better bet.

Peyto has had an especially difficult time. The latest report was quite disappointing, with practically every metric down, including the dividend. In the first quarter of 2019, Peyto reported a 24% decrease in revenue over the same quarter a year earlier. Funds from operations were down a staggering 31% and the dividend had to be slashed another 67% to conserve funds for operations. While this still leaves the company with a yield of just under 5% at the current share price, that yield certainly does not feel safe anymore.

Tourmaline, on the other hand, has a current yield of about half of Peyto's at 2.52%. But that yield was just raised this month by 20% in stark contrast to Peyto's cut. This company is also making positive strides operationally, increasing its production by 9% year over year. Revenue was up 21% year-over-year and cash flow was up 18% over the same period.

Unfortunately, these two companies are cursed with crushed hopes and shattered dividends. After years of decaying share prices and reduced income, it's been hard for investors to want to come back to the space. After having their heads handed to them time after time, investors (myself included) are very hesitant to get into these stocks.

Look at the operational results, not just the yield

If you're looking to get paid to wait for a turnaround in natural gas, it pays to look at the operational results of the companies as opposed to merely looking at the yield. Getting 5% a month income from Peyto looks better than getting 2.5% quarterly from Tourmaline on the surface, but a little looking under the hood shows which stock is likely to go up first when the stars begin to align.

In this case, go for the smaller yield. Get the safer payout from Tourmaline and you will be better off — and sleep better at night as you wait for you oil stocks to pay off.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:PEY (Peyto Exploration & Development Corp)
2. TSX:TOU (Tourmaline Oil Corp.)

PARTNER-FEEDS

1. Msn
2. Newscred
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