Double Your Money in a Year With These 2 Stocks

Description

Generally, investors want to avoid commodity stocks. However, now is a good time to investigate and consider buying shares in **Encana** (TSX:ECA)(NYSE:ECA) and **Birchcliff Energy** (TSX:BIR) to potentially double your money — if you have the appetite for risk and volatility.

Encana

ECA stock has traded as low as about $6.70 per share and as high as roughly $18.50 per share in the last 12 months. Currently, at $6.84 per share as of writing, it trades at about 0.69 times book value, 6.7 times forward earnings, and 1.8 times cash flow. No matter which valuation metric you go with, the stock looks pretty cheap.

Thomson Reuters has a mean 12-month target of US$10.50 per share on the stock, which represents about 104% near-term upside potential.

Last year, Encana generated revenue of nearly US$5.5 billion and operating income of nearly US$1.7 billion with an operating margin of 31%. Net income came in at more than US$1 billion with a net margin of about 19.6%.

Encana has an investment-grade S&P credit rating of BBB. At the end of the first quarter, it had net debt of $7.4 billion. The elevated debt was due to the acquisition of Newfield Exploration, which caused a selloff in the stock.

Birchcliff

BIR stock has traded as low as about $2.60 per share and as high as $5.45 per share in the last 12 months. Currently, at $3 per share as of writing, it trades at about 0.46 times book value, 12 times forward earnings, and 2.2 times cash flow. The stock looks cheap from the perspective of price to book value and cash flow.

Reuters has a mean 12-month target of $5.94 per share on the stock, which represents 98% near-term upside potential.

In 2018, Birchcliff generated revenue of nearly $583 million and operating income of nearly $185 million with an operating margin of 31.6%. Net income came in at more than $102 million with a net margin of about 17.5%.

Birchcliff has a reasonable debt/cap of about 27%. At the end of the first quarter, it had net debt of $677 million, which matches the debt levels it had in recent years.

What's worth mentioning is Birchcliff's yield of 3.5%, which seems sustainable and will help contribute to returns. It last increased the dividend by 5% in Q1.

Foolish takeaway

As the coming summer months heat up, the stocks of Encana and Birchcliff can experience further pressure. So, there's no need to rush to buy them immediately. However, at their current undervalued levels, they're opportunities worth investigating. Between the two, I'm more inclined to take a position in Birchcliff, which has a stronger balance sheet and a yield that more than doubles Encana's.

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