3 Oil Stock Picks for July

Description

It’s been a wild ride for oil investors.

From 1999 to 2013, it was hard *not* to make money with oil stocks. At one point, prices moved from US$17 per barrel to more than US$160 per barrel.

Then 2014 happened. Over the last five years, prices have averaged just US$55 per barrel.

Now that expectations have cratered, several oil stocks trade at ridiculous valuations. Now is the time to strike.

The following three companies are your best bets today considering both their risk *and* reward opportunities.

Juicy dividends

ARC Resources Ltd (TSX:ARX) peaked at $32 per share in 2014. Today, the stock is down to $6.40 apiece, resulting in a market cap of $2.3 billion.

The biggest draw of ARC Resources stock today is its 9.2% dividend. That represents a trailing 12-month payout ratio of 95%, but looking ahead, the dividend could actually be quite sustainable.

Last quarter, the company posted a surprise loss of $0.11 per share, a more than $.20 difference between consensus estimates.

Next year, however, the company is set to earn $0.29 per share at current strip prices. That would price the company at a reasonable 17 times forward earnings.

That’s not screaming cheap by any means, but if those earnings become a reality, the sky-high dividend will surely stick around.

If you're looking for a ridiculously cheap stock, check out the next selection.

Huge value

Crescent Point Energy Corp (TSX:CPG)(NYSE:CPG) topped out at $48 per share in 2014. Today, the stock has slumped to just $4.30 apiece, good for a market cap of $2.4 billion.

Despite the depressed stock price, Crescent Point is about the become a cash flow machine.

In 2018, management turned its sole focus to improving the balance sheet and concentrating the company's assets solely to cash flow producing projects. It hasn't gotten much credit, but the turnaround has been a big success.

Crescent Point's CEO expects the company to generate "approximately $600 million of excess cash flow in 2019 based on guidance at current strip prices."

About 75% of this excess cash flow will be allocated toward debt reduction. The company has already reduced its net debt position by $100 million this year.

The rest will go toward buybacks, creating massive long-term value for shareholders given the huge disconnect between the share price and the intrinsic value of the company.

Management believes the company is worth more than $13 per share using US$55 per barrel pricing assumptions, which represents big upside.

Keep it simple

Imperial Oil Ltd (TSX:IMO)(NYSEMKT:IMO) shares reached at $58 in 2014. Today, the stock is down to just $36.20 apiece, which still results in a market cap of $28 billion.

If you want to take advantage of rising oil prices but don't want to risk much downside, this is the stock to choose, as it's one of the largest integrated oil companies in Canada.

Integrated oil companies own their entire value chains, from production and transportation to refinement and delivery, allowing Imperial to offset weaknesses in any one segment with counter-cyclical profits in another.

Because it's so diversified, Imperial stock won't bounce as much as the other stocks on this list. But if a bear market does occur, Imperial will be the last company standing.

Using its strong balance sheet and connections with **Exxon Mobil Corporation**, it could ultimately create big value for shareholders by scooping up troubled competitors on the cheap.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. NYSEMKT:IMO (Imperial Oil Limited)
3. TSX:ARX (ARC Resources Ltd.)
4. TSX:IMO (Imperial Oil Limited)
5. TSX:VRN (Veren Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/07/19
Date Created
2019/07/01
Author
rvanzo