



## Did This Unknown Stock Just Become the Best Bang for Your Buck?

### Description

The stock market seems to have abandoned the smaller oil and gas companies. Investors may be missing the point, and they're focused only on the short term. **Peyto Exploration and Development** ([TSX:PEY](#)) appears to be struggling like the other industry players. But there is [significant value](#) not seen in the share price.

Peyto's price has gone down by 145.77% from a year ago. The stock is trading at an incredible \$4.26 per share. This presents an amazing opportunity for investors looking for a [great buy](#). The price should be doubling, as the world energy demand is predicted to increase. With a fabulous dividend of 6%, healthy gains await investors.

### “Wild Bill” Peyto

Peyto is an unknown stock, but the company's namesake is popular. The company was named after Ebenezer William “Wild Bill” Peyto, who was a mountain guide and one of the first wardens of Banff National Park. Visitors coming to Banff, Alberta, will see his large photograph at the town's entrance.

The wilderness protector coexisted with the natural world. Fifty-four years later, when Wild Bill passed on in 1943, Peyto Exploration and Development was formed. The incorporators found the perfect name. But the firm's exploits would be different from the historical figure. The company would be operating in a rapidly developing industry.

### Wild ride

It's been a wild ride for Peyto on the TSX for the most part of 2019. The stock was a high flyer until natural gas prices in Western Canada struggled and dropped. But natural gas is essential to generate electricity, heat homes, and to cook food.

Despite the low prices, the low-cost operator turned in positive net earnings last year. In Q1 2019, \$25 million earnings were generated and 40% of that was paid out as dividends to shareholders. For the

record, Peyto has never done a write-down or posted impairment of assets for 57 consecutive quarterly earnings.

Peyto is not out of the woods yet, but there's a lot to look forward given the positive business outlook. There will be short-term price surges due to weather-induced supply disruptions before a turnaround comes. The balance sheet will improve as natural gas prices move up.

## New frontier

According to the International Energy 2018 World Energy Outlook, the demand for natural gas will see a 43% increase by 2040. Peyto knows investing in new infrastructure will extend the value chain.

The current capital program for 2019, in the range of \$150-\$200 million, will involve more drilling activities in about 50 Cardium liquids-rich gas wells. New lands will be acquired to beef up drilling inventory and increase profits. Debt reduction is also an ongoing concern.

Management has a long-term strategy in place. Eventually, the company will be transformed into a fully integrated energy player with a host of diversified products. Peyto will penetrate new markets that will pay more for the products.

The company is headed in a new frontier that would make the stock the "Wild Bill" of the TSX.

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1. Editor's Choice

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1. TSX:PEY (Peyto Exploration & Development Corp)

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### Date

2025/08/17

### Date Created

2019/07/22

### Author

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