



## The Smart Money Is Buying These Unloved Oil Stocks: Should You Buy, Too?

### Description

It's been a tough six months for Canadian energy stocks, with the sector falling some 20%. Investors should remember that the Canadian energy industry is dominated by larger names, meaning some of the smaller oil stocks inevitably fell by more than 20%.

Some folks have sworn off the energy space forever, determined to not lose any additional capital chasing what they've determined to be a permanently impaired sector. Others are doubling down on the industry, convinced they're buying at the bottom.

There are some very smart investors who agree with the latter approach. They're buying energy stocks today, convinced the market is about to perk up again. Let's take a look at three smart investors who are buying the sector today and where they're putting their capital to work.

### Suncor

When we talk smart money, there's no smarter money than the Oracle of Omaha himself. And Warren Buffett has been recently buying **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) shares. Buffett's stake is nearly 11 million shares.

It's easy to see what Buffett likes about Suncor. The company's oil sands operations make it the largest oil producer in Canada, and it has done a terrific job driving down costs on a per-barrel basis during this downturn. The company also solidified its dominance in the region by picking up value-priced assets from partners in its various joint ventures.

What I really like about Suncor is the company's downstream business. It owns four oil refineries and a fleet of approximately 1,800 Petro-Canada gas stations. These downstream assets are consistently profitable, which helps take some of the sting out of low oil prices.

Suncor has also been an aggressive purchaser of its shares, which is a terrific form of returning capital back to shareholders. The company also pays a [lucrative 4.4% dividend](#) — a payout that has been consistently increased since 2003.

## Trican

You may not have heard of the folks from **Clarke Inc.**, but the small-cap investment holding company has quietly become one of Canada's top activist investors. Rather than taking a confrontational approach, Clarke's management will work with a company after taking a big position in its stock, finding solutions together.

Back in April, Clarke announced a big position in **Trican Well Service** ([TSX:TCW](#)). Sime (George) Armoyan, Clarke's chairman, has continued acquiring shares, boosting his ownership stake by more than two million shares thus far in August alone.

Some things to like about Trican include its recent share-buyback program, which has eliminated 5.26 million shares in the latest quarter alone. The company has also cut some \$25 million worth of ongoing expenses, which will help it stem recurring operating losses. And it has a solid balance sheet, meaning bankruptcy isn't a concern in the near term.

The current price is \$0.94 per share. Book value is in the \$3-per-share range. Needless to say, the stock is very cheap.

## Whitecap Resources

Insiders have been recently loading up on **Whitecap Resources** ([TSX:WCP](#)) shares, which is usually a pretty good signal the stock is undervalued.

Grant Fagerheim, Whitecap's CEO, has purchased more than 50,000 shares since the beginning of April. He has been joined by CFO Thanh Kang, who purchased 50,000 shares in June and close to 70,000 shares since April. Several other senior managers and board members have also been acquiring shares of late.

Whitecap pays a generous 9% dividend while investors wait for the stock to turn around, although some pundits say that [payout could be in jeopardy](#). The company has also done a nice job keeping expenses down, which will translate into solid cash flow, even if the price of crude weakens a bit here. It consistently generates strong netbacks too, which is always something energy investors want to see.

If crude oil rockets higher, Whitecap will be one of the big beneficiaries of this move. Shares could easily double from here with a little help from the commodity.

## The bottom line

If you're a believer in the energy sector today, it's time to start looking at these three stocks. They won't be this cheap forever.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)
3. TSX:TCW (Trican Well Service Ltd.)
4. TSX:WCP (Whitecap Resources Inc.)

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