



## 3 Stocks That Can Double by 2020

### Description

The markets are in a nine-year bull run. Despite this, recent market volatility has led to some fairly significant undervaluation. This is especially true of companies in the oil and gas industry. As Warren Buffett once famously said, “buy when others are fearful.”

Following his sage advice, there is no better time to scoop up high-quality companies operating in the oil and gas sector. First, we are not talking about midstream and pipeline companies. In a low interest rate environment, these industries are doing just fine. The best value is among producers and those who provide equipment and services to the oil patch.

With that in mind, here are three stocks that are poised to double over the next year. What makes these three stand out? All three are expected to post strong and consistent growth over the next couple of years.

### Obsidian Energy

As a small cap, **Obsidian Energy** ([TSX:OBE](#))([NYSE:OBE](#)) doesn't garner much attention. These are my favourite types of companies, as they lead to outsized performance once the market catches on to their undervaluation.

As of writing, this western Canada oil and natural gas producer is trading at an incredibly cheap 0.34 times book value and 0.24 times sales. These are among the cheapest metrics in the industry and well below historical averages.

Over the next couple of years, it is expected to grow earnings and revenue by an average of 61% and 5% annually. Despite the price of natural gas hitting multi-year lows, analysts have a one-year price target of \$3.75 per share. This implies 184% upside from today's price of \$1.32 per share. Even the lowest price on the streak (\$2.80) points to a potential double.

## Precision Drilling

As an oil and gas service company, **Precision Drilling** ([TSX:PD](#))([NYSE:PDS](#)) is negatively impacted when the price of commodity prices drop. When prices drop, then capital expenditures follow suit, and this is the company's life blood.

Precision has quietly put together a couple of solid years. After years of declining revenue and earnings, it has grown revenue by 17.8% on average over the past three years. Looking forward, expectations are for revenue growth in the high single digits and for earnings to grow by 62% annually through 2020

Overall, analysts [remain bullish](#) on the company with an average "buy" rating. Currently trading at \$1.45 per share, there is 178% upside in the stock with a one-year target price of \$3.98 per share. Much like Obsidian, Precision Drilling is also trading well below the lowest price on the street (\$2.33).

## Whitecap Resources

With properties throughout Western Canada, **Whitecap Resources** ([TSX:WCP](#)) is a mid-sized oil and natural gas producer. Recently, the company has adjusted capital expenditures, as it deals with a challenging macro environment. By the same token, it is in a strong financial position which has enabled it to pay out a [hefty 12% dividend](#). It even raised dividends by 5.6% earlier this year.

Despite curtailed capex, the company's production guidance (6% growth) remains unchanged. Analysts have also maintained their incredibly bullish positions. Of the 18 analysts covering the company, every single one has the company rated either a "buy" or a "strong buy." The one-year target estimate is \$7.28, which is more than double (+108%) its current price of \$3.45 per share. Once again, it is also trading at a discount to the lowest price on the street (\$5.75).

## Foolish takeaway

We've been here before. When the price of oil crashed from all-time highs, it endured a prolonged bear market. During that time, the price of oil and natural gas hit multi-year lows, and industry leaders were trading at significant discounts. The same is true today.

Now is your time to pick up these high-quality companies on the cheap and be well rewarded when the price of oil stabilizes and natural gas rebounds from multi-year lows.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. NYSE:PDS (Precision Drilling Corporation)

2. TSX:OBE (Obsidian Energy)
3. TSX:PD (Precision Drilling Corporation)
4. TSX:WCP (Whitecap Resources Inc.)

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