



This Oil and Gas Company Will Make You Rich

Description

Warren Buffett has frequently stated that you need to look at investing as if you are purchasing an ownership interest in the company you are purchasing. Buying shares will make you a business owner, which allows you to get a proportional share of the profits the company earns.

Buffett also has stated that you should not buy shares of anything in which you would not want to own the entire company. You should try to find one for which you can pay a reasonable price to secure a reasonable rate of return. This is the “value” in value investing.

The best time to buy stocks is during a crisis of some sort. During these rare events, such as the financial crisis of 2008-09 and the tech bubble in the early 2000s, you could basically throw a dart at any great company and make an excellent return in the years to follow.

The second-best time to buy is when an entire sector is experiencing malaise. While somewhat more difficult to judge than a total downturn in the global stock market, it is somewhat easier to pick companies out of the rubble than it is to search out individual companies. The Canadian oil patch is one of these sectors at the moment.

Buyers have dried up, but the companies are in better shape than ever and are very profitable. In this most-hated sector, this company stands out as a screaming buy.

Tourmaline Oil ([TSX:TOU](#)) has a [respectable yield](#) of around 4%. This stock has fallen significantly over the past few years from its high of almost \$60 a share to the current level of around \$10.

Tourmaline did not pay a dividend before 2018, so the payout is a signal of how profitable the company is. The income from this stock has also increased three times since it instigated the dividend last year. That is not the action of a company that is in dire straits.

This producer increased its production by a solid 8% in the second quarter of 2019. Over that same time period, it also increased its earnings per share from \$0.09 a share in 2018 to \$0.57 a share in 2019.

Another way to judge if the [company is cheap](#) is to look at the action of its insiders. Over the past year, insiders at Tourmaline have been snapping up shares of their stock. They seem to know that the

shares represent good value, so maybe we should start to take notice as well.

Oil and gas companies are cheap

The thing about these companies today is that they are so cheaply priced that even a short-term bounce in price could effectively double your money. These companies are trading at all-time lows at a time when they are very profitable. At this point, the upside potential far outweighs the downside risk.

Certainly, these are not riskless investments. But considering the profitability of these companies today, I would snap up the whole thing if I could. Even as a small investor, though, with the high yields these stocks pay out on a monthly or quarterly basis, you get a big chunk of your capital back steadily over time. Stocks like this are a value investor's dream, so make sure you buy some today.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:TOU (Tourmaline Oil Corp.)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date

2025/08/26

Date Created

2019/11/09

Author

krisknutson

default watermark

default watermark