Long-Term Investors: 1 Dirt-Cheap Canadian Energy Stock to Buy Today

Description

The global energy industry is one that is expected to see some of the largest growth over the next 20 years. Energy is expected to grow roughly 20% by 2040, creating some major opportunities.

As coal is phased out around the world, renewable energy will not be able to offset the reduction in energy alone, so oil and natural gas will both be heavily relied upon over the coming years.

This has created lots of opportunity in the Western Canadian energy industry due to the growth potential over the long term and the cheap valuations many companies have as a result of some of the headwinds the industry has faced in the last few years.

These are the perfect types of opportunities for long-term investors, as you can gain exposure now and wait for the inevitable appreciation and value creation over time.

To position yourself the best ahead of this long-term growth in the industry, you'll want to find companies with strong fundamentals that can stand the test of time.

One of the top Canadian energy companies you can count on for the long term is **Imperial Oil** (TSX:IMO)(NYSE:IMO).

Imperial Oil is a high-quality integrated energy company with operations spanning coast to coast in Canada.

The company has a whopping 500,000 barrels of oil equivalent per day (BOEPD) of upstream oil production capacity, 400,000 BOEPD of refining capacity, and 500,000 BOEPD of downstream retail sales.

Its integration has been key to its survival and shows why it's so important to have operations that aren't as reliant on oil prices.

Prior to 2015, its upstream production accounted for more than half the company's cash flow. From 2015 onwards, the large majority of its cash flow have come from its downstream and chemicals business.

The ability for its downstream and chemicals segments to keep the business strong and resilient can't be overstated, because if Imperial was solely an exploration and production company, its business would have been impacted a lot worse.

The stock is down about 40% from its high in 2014, but it's likely it could have fallen much further if not for its resilient business being able to still generate more than $2 billion in cash from operations, while the upstream production was contributing less than $250 million.

By now, five years later, it has improved its upstream business considerably and now is generating total cash from operations of more than $3 billion with more than $1 billion coming from its upstream segment.

Imperial Oil had to trim its dividend back in 2015, but it only trimmed it by less than 10% at the time, and since then, it's already more than 69% higher than it was before the dividend reduction.

The dividend yields a little over 2.5% today and is a nice complement to the growth you can expect as the shares appreciate in price.

It's kept its earnings before interest, taxes, depreciation, and amortization (EBITDA) pretty strong, all things considered, and is trading for what many investors would agree is extremely cheap.

The stock trades at an enterprise value to EBITDA of just 6.6 times — an extremely cheap valuation — and a price-to-earnings ratio of just 9.5 times.

Going forward, it's aiming to increase its cash flow and generate industry-leading returns by aggressively capturing new opportunities and managing its existing portfolio to maximize shareholder value.

Its relationship with **Exxon Mobil** is a positive for the company, too, as it gives it access to new technologies and the downstream operations, and allows Imperial to differentiate itself from its competitors.

There are a number of positives for Imperial, a company that has already shown investors can be highly resilient, making it one of the top must-have stocks in your portfolio.

Not only should you expect big gains from Imperial, but if more problems arise in the energy industry, you can count on it to protect your capital as well as or better than any other Canadian energy investment.

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