



This TSX Energy Stock Is a Screaming Buy Below \$10

Description

In the first quarter of 2020, energy stocks were punished as a perfect storm of bad events descended on the industry. Overall demand decreased significantly as the COVID-19 forced people to stay at home. In addition, a war over the price of oil rocked the industry.

This culmination of events pushed the [S&P/TSX Capped Energy Index](#) to lose 58.81% of its value. In comparison, the **S&P/TSX Composite Index** declined 21.59% in the same period.

In the midst of all of this bad news, is there an energy stock that investors should consider?

The answer is a resounding yes. The company is **Tourmaline Oil Corp** ([TSX:TOU](#)).

Best balance sheet in the industry

Tourmaline is Canada's largest natural gas producer. Over the past decade, the Calgary-based company has maintained an ambitious exploration, acquisition, and development program. Tourmaline has assembled an extensive undeveloped land position with a large, multi-year drilling inventory in the Western Canadian Sedimentary Basin.

The company touts one of the best balance sheets in the industry. Tourmaline has aggressively been generating free cash flow to pay down debt. Last year, the company reported earnings of \$319.7 million. The company's free cash flow for 2019 of \$144.9 million was a 27% increase over 2018.

The company's debt at the end of December was \$1.62 billion, and Tourmaline has since reduced this debt to \$1.57 billion.

Tourmaline is committed to maintaining a strong balance sheet with plenty of financial liquidity. At the end of March, the company had [\\$1.3 billion in unutilized borrowing capacity](#) within its credit facilities.

Tourmaline's management team

Tourmaline CEO Michael Rose founded the company in 2008. He and his team have a strong track record in the industry. His leadership at Duvernay Oil Corp and Berkley Petroleum Corp resulted in exceptional rewards for the company's stakeholders.

Rose is optimistic about both the company and the industry. He believes the significant capital spending reductions by most oil and gas producers will result in a decreased supply of natural gas, strengthening prices in 2021.

The company is also able to adjust its overall production mix to combat the ongoing volatility of prices in the industry. For example, if weak liquid prices and stronger-than-forecast natural gas prices continue, the company can shift their overall production mix from the current 80:20 gas total liquid split to 83:17 over the next few quarters.

As of this writing, shares of Tourmaline are trading at \$11.99. The current dividend yield is 4.02%.

The bottom line

During the past year, shares of Tourmaline have traded as low as \$6.73. Although the market has recovered somewhat since its lows in March, there is speculation that stock price volatility will continue throughout this year.

Despite the setbacks in the oil and gas industry over the past several months and the volatility that will likely remain in 2020, Tourmaline is well positioned to deliver strong year-over-year cash flow and production growth again in 2021.

In the meantime, if the stock price retreats back to \$10, investors should welcome the opportunity to jump in. Patient investors will be rewarded by this company in the long term. And at that entry price, Tourmaline Oil is a screaming buy!

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1. Dividend Stocks
2. Energy Stocks
3. Investing

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cdye

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