Buy Alert: 2 Left-Field Energy Plays the High-Risk Investor Can Make

Description

Energy stocks have been market pariahs for almost two quarters. I don't remember an entire sector being as unloved as energy in recent memory. However, as business operations in the world start running again, energy stocks should gain momentum.

There are some stocks that used to be market favourites before the recession was on the horizon. The recession plus the pandemic pummeled them hard, and while the rest of the market has slowly started moving up, these stocks have languished. However, it might be turnaround time for these companies.

An oil and gas royalty company

Prairie Sky Royalty (TSX:PSK) is one of my favourite pure-play royalty companies in the oil and gas sector. This company generates royalty production revenues from petroleum and natural gas on its properties in Alberta, Saskatchewan, British Columbia, and Manitoba.

The company reported its results for the second quarter for 2020, and its revenues were $28.2 million, down from almost $70 million in the same period in 2019. It declared a dividend payout of $13.9 million ($0.06 per share) compared to $45.6 million in 2019.

This represents a payout of 65% of its cash flow. The drop in revenues was majorly due to a drop of 30% in oil volumes plus lower oil prices. The company expects the scenario to continue, especially in its thermal oil segment, which accounts for 14% of oil volumes and isn't expected to come back to full production until December.

Prairie says that a lot of large producers on its lands are setting up for 2021, and the company expects major activity to start in late Q3 or early Q4 so that it can dovetail into 2021. Prairie completed a $6 million acquisition in British Columbia where two new wells churn out over 100 barrels per day of net royalty oil production and gas production.

Analysts have set a target of $11.54 for Prairie, indicating an upside of over 37% from current levels.

The curious case of Enerflex

The fall in **Enerflex** (TSX:EFX) share prices started long before the pandemic or the broader energy crisis. The company was trading at $16.61 in July 2019. Today it goes for $5.06. That's a drop of over 69%. The stock was around $10 in February this year before halving to its current price. The company's first-quarter results were not buoyant, and its management's words didn't inspire much confidence either.

Enerflex is a weird stock, because its share price hasn't broken out, despite revenues and earnings increasing every year. In 2016, revenues were $1.13 billion and earnings were negative $103 million. In 2019, corresponding figures were $2.05 billion, and earnings were $151.6 million. However, the stock moved from $12.85 on January 1, 2016, to $10 on December 31, 2019.

There is no denying the fact that the energy sector will see a lot of volatility in the rest of the year, but I think it is time to look at Enerflex closely. Analysts have given Enerflex a target of $9.28; that's upside of over 83%. This pandemic could be a perfect opportunity for investors to start buying Enerflex during market dips and wait for it to zoom.

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