



TSX: Top 3 Reasons to BUY This Energy Stock Now

Description

As the global stock markets continue to face uncertainties due to the prolonged COVID-19 pandemic, it has become more important for investors to pick stocks more carefully. While many companies — especially from the tech sector — have outperformed the broader market in 2020, investors seem to be ignoring opportunities in many other industries including in the energy sector.

In this article, I'll discuss three reasons to buy one such energy stock that could yield solid positive returns in the near to medium term.

Energy stock with stable earnings

TC Energy ([TSX:TRP](#))([NYSE:TRP](#)) — one of the top energy services companies in North America — announced its second-quarter results on July 30. In the quarter ended June 2020, the company's adjusted net earnings stood at \$0.92 per share — showcasing 8% year-over-year (YoY) decline. Nonetheless, it was at par with Bay Street estimates of \$0.92.

It's important to note that it was the first quarterly YoY decline in TC Energy's quarterly earnings in the last 11 quarters. Analysts expect the company's quarterly earnings growth to turn positive again in Q4 this year.

Despite a massive drop in oil demand due to the pandemic, TC Energy's well-diversified energy services portfolio has allowed it to keep its earnings stable. And that's the first reason I think you should buy TC Energy stock right now.

Amazing profitability

When it comes to profitability, TC Energy is very likely to beat most of the companies that you might already have in your stock portfolio. In 2019, the company reported a solid 29.1% adjusted net profit margin — much higher as compared to 25.5% in 2018.

TC Energy's profit margins have continued to remain strong in the first half of 2020 and are expected to improve further in the second half. In the first quarter this year, the company reported a 32.5% adjusted net profit margin, and in the second quarter, it declined to 27.9%.

Its first-quarter profit margin was at its highest level in many years. Its great profitability is the second reason why I'd recommend buying TC Energy stock right now.

Forget about uncertainties

At a time when market uncertainties are haunting most of the investors globally, buying TC Energy stock might help you get through these uncertain times. Unlike most other companies, neither TC Energy's management has withdrawn its 2020 guidance due to [COVID-19 related uncertainties](#), nor has it changed its outlook.

In its second-quarter earnings report, the company clearly [mentioned](#) that it doesn't "...expect COVID-19 to have a material impact on 2020 comparable earnings." According to its 2019 annual report, TC Energy expects its 2020 earnings per common share to be consistent with record 2019 results. This is the third key reason why I would encourage you to buy TC Energy stock now — before it starts soaring.

Foolish takeaway

With all these positive factors that I've talked about in this article, you'd expect TC Energy's stock to have outperformed the broader market by a wide margin in 2020 so far. However, its stock has gone down by 11.7% as compared to only a 5.2% decline in the **S&P/TSX Composite Index** in 2020.

At current levels, TC Energy stock could add great value to your portfolio. I expect it to start rising and beat the broader market in the near to medium term despite the pandemic-related uncertainties.

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