TFSA Investors: Buy This Cheap Stock and Become a Billionaire

Description

Peyto Exploration & Development (TSX:PEY) is an energy company engaged in the acquisition, exploration, development and production of oil and natural gas in Western Canada since 1998. Peyto's strategy is to grow shareholder value through the exploration, discovery and low cost development of energy in the sedimentary basin.

Peyto's portfolio of assets are located primarily in Alberta and the company uses technical expertise to achieve the best return on capital employed through the development of internally generated drilling projects. The company has built an asset base made up of high-quality natural gas reserves. Peyto is one of the few Canadian energy companies that has continued to pay dividends to shareholders despite low natural gas prices.

Peyto competes with numerous other entities in the marketing of oil and natural gas. The company has developed a reputation in the marketplace due to Peyto's novel production methods and reliability of delivery and storage. Peyto's low cost development of oil and natural gas properties provides it with an economic moat compared to other oil and natural gas issuers of similar size, involved in similar areas and at a similar stage of development.

Peyto has tempered planned capital expenditures for 2021 as a result of low oil prices. The company still plans to drill net wells with a focus on the liquids-rich resource play. In the past, Peyto's operations have been affected by extremely wet surface conditions that hamper drilling equipment movements and delay pipeline installations. Despite these hindrances, Peyto has advanced the company's planned drilling program.

The company's well results, drilling and completion costs have continued to improve in 2020. Recently, natural gas prices in Alberta have plunged to some of the lowest prices in the past 30 years as restricted access to storage prevent supplies from finding a market. Despite the commodity price weakness, Peyto's industry leading low costs and product diversification has delivered strong operating margin and earnings.

Based on industry projections for reduced drilling activity, Peyto expects the Canadian natural gas market to be undersupplied. This translates into higher natural gas prices going forward for natural gas producers due to a domestic natural gas market that is better connected to the rest of North American. Currently, the industry suffers from a lack of access to external capital which has made all energy companies, including Peyto, more disciplined.

Peyto's reduced capital programs have preserved drilling inventory and reserves for the price recovery that is now underway. The company plans to ramp up capital investment as commodity prices improve. Peyto's natural gas reserve life has continued to increase and is expected to approach 10 years as annual base production declines have fallen. This is expected to provide a solid platform for growth in the future as less capital will be required to offset base declines.

In summary, Peyto is one of the most disciplined capital allocators in Canada's energy patch and will only invest shareholder capital if sufficient full cycle returns can be achieved. This discipline should serve shareholders well over the long-term as the company executes on a strategy.

CATEGORY

1. Investing

POST TAG

1. dividend stock

TICKERS GLOBAL

1. TSX:PEY (Peyto Exploration & Development Corp)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Yahoo CA

Category

1. Investing

Tags

1. dividend stock

Date
2025/07/02
Date Created
2021/01/19
Author
nikhilwaterloo