



The 3 Best Energy Stocks to Buy When They Correct

Description

Energy stocks are swayed easily by the oscillation of the underlying commodity prices. One day, they can be in the green on good news. The next day, they can be in the red from bad news. If you're feeling lucky, you can consider buying energy stocks on dips but, ideally, during more meaningful corrections. Here are three of the best energy stocks I have on the top of my watchlist.

Tourmaline Oil

Eric Nuttall is an expert in energy stocks as a lead portfolio manager of the Ninepoint Energy Fund since March 2010. So, when he talks, investors who are interested in energy stocks should listen. At the beginning of the month, he commented on **Tourmaline Oil** ([TSX:TOU](#)):

"Tourmaline Oil is an extremely well-run company with decades of inventory. He doesn't own the stock because it's natural gas weighted. Oil presents huge opportunities. Expecting over US\$100/barrel for the next four to five years. It's trading at about three times cash flow. We expect variable dividends to be paid out and share price to trade around \$80 per share."

Eric Nuttall, partner and senior portfolio manager, Ninepoint Partners

Although Nuttall doesn't own the energy stock, he is still positive about its management. He just prefers more oil-weighted companies at the moment as oil prices hover above US\$100 per barrel. For reference, Tourmaline is about 77% weighted in natural gas.

At just under \$56 per share at writing, TOU stock yields 1.4% and offers 12-month upside potential of about 22% based on the analyst consensus price target of \$68.46. So, Nuttall's target of close to \$80 is probably a multi-year price target.

Whitecap Resources

Nuttall also likes **Whitecap Resources** ([TSX:WCP](#)). Earlier this month, he highlighted it:

“Whitecap stock is trading at about two times free cash flow yield and 30% cash flow yield at US\$100 oil. It’s increasing its dividend and paying down debt. A five times multiple would imply a roughly \$20 share price. It’s a good company that is presenting a great opportunity to buy [at about \$10 per share].”

Eric Nuttall

At the time of the comments, Nuttall owned oil-weighted Whitecap Resources stock. For reference, [WCP](#) is roughly 27% weighted in natural gas.

At \$10.54 per share at writing, it yields 3.4% and offers 12-month upside potential of about 24% based on the analyst consensus price target of \$13.11.

Parex Resources

I saved the best for last. Both Eric Nuttall and Brian Madden have **Parex Resources** ([TSX:PXT](#)) as one of their top stock picks this month.

“Parex Resources is an exploration-focused company. It has been returning one-third of its free cash flow back to shareholders. The CEO could do better at marketing the company.”

Eric Nuttall

“It is a mid-sized Canadian company with a unique asset base. It produces about 53,000 barrels a day — all in Colombia. Parex has one of the highest net backs. It is growing at 12% this year and has grown at a compound rate of 9% over the past five years, Management has concentrated on creating shareholder value. It has grown cash flow per share at 365% in total over the past five years and is buying back shares. It has no debt and has \$375 million in cash. It is the one to own and he is still buying.”

Brian Madden, chief investment officer at First Avenue Investment Counsel

[Parex](#) is roughly 96% weighted in crude oil production. At \$26.63 per share at writing, it yields 2.1% and offers 12-month upside potential of almost 45%.

CATEGORY

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TICKERS GLOBAL

1. TSX:PXT (PAREX RESOURCES INC)
2. TSX:TOU (Tourmaline Oil Corp.)
3. TSX:WCP (Whitecap Resources Inc.)

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