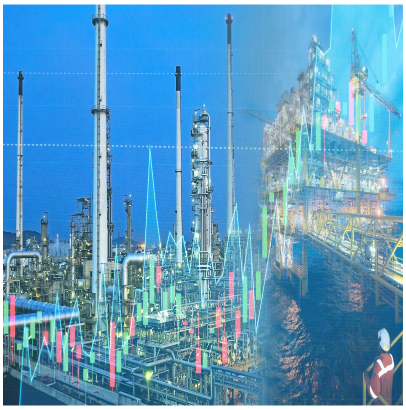

3 Undervalued Canadian Oil Stocks

Description

Canadian oil stocks are rallying this year. But amazingly, they remain undervalued. This year, TSX oil giants are growing earnings by 200%, 300%, or more, yet their share prices are only up 50%. The result of this has been stocks trading barely above book value and price/cash flow ratios hovering around six.

Evidently, people think that oil prices will collapse, taking energy stocks' profits along with them. It could be that oil prices will come down somewhat, but energy stocks today don't appear to have even priced in $100 oil, never mind the $115 WTI crude we're actually seeing.

In this article, I will explore three undervalued oil stocks I would grab in June.

Cenovus Energy

Cenovus Energy (TSX:CVE)(NYSE:CVE) is a Canadian integrated energy company that sells oil and operates gas stations. As an integrated energy firm, it's involved in all aspects of the industry: E&P, refining, and marketing. It's a diversified mix of energy sector activities that keeps the company bringing in truckloads of money when oil prices are high.

Indeed, Cenovus is doing that now. In its most recent quarter, CVE's earnings grew so much that the company tripled its dividend! It was a fantastic showing. Yet Cenovus stock is still dirt cheap, trading at just one times sales and seven times operating cash flow. Talk about an undervalued energy play.

Pembina Pipeline

Pembina Pipeline (TSX:PPL)(NYSE:PBA) is a Canadian pipeline company. Its main business activity is transporting oil and gas. The company delivered great results in its most recent quarter:

- $3 billion in revenue, up 50%
- $858 million in gross profit, up about 30%

- $655 million in cash from operations, up 30%
- $481 million in earnings, up 50%

As you can see, all of PPL's relevant financial metrics improved in the first quarter. Nevertheless, the stock is still trading at just 9.8 times operating cash flow. Talk about a bargain!

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is an integrated energy company similar to Cenovus. It's involved in a variety of different oil and gas activities, including exploration, refining, and marketing. It is perhaps best known for its chain of Petro-Canada gas stations, one of the biggest such chains in Canada.

Suncor took some heat for its gas station business this year, when an activist investor took aim at the firm and demanded that the gas stations be unwound. It looked like a challenge at the time, but shortly after the investor's report went public, Suncor delivered a blockbuster earnings release that silenced all the naysayers. In the release, Suncor reported the following:

- $4 billion in adjusted funds from operations, up nearly 100% overall, and up more than 100% on a per-share basis
- $2.75 billion in operating earnings, up 268%
- $2.9 billion in earnings, up 259%
- $728 million in net debt reduction

All of these results far exceeded what analysts expected, and SU's stock price increased dramatically after they came out. It was a strong showing from Canada's most famous energy company, and if oil prices stay high, then there could be more results like these on the way.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. Editor's Choice

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2. NYSE:PBA (Pembina Pipeline Corporation)
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5. TSX:PPL (Pembina Pipeline Corporation)
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