This Little-Known Stock Can Double Your Money

Description

Let's put aside the current market downturn for a moment. The long-term charts are still healthy, the economy is growing, and unemployment rates are falling. It's not all doom and gloom.

Likewise, the price of oil has stabilized well above its lows from a few years ago. At these levels, oil companies are generating tonnes of cash. As such, energy companies have enjoyed a healthy rebound and still have plenty of room to run. Outside the oil majors, one small cap that looks attractive is **Tamarack Valley Energy** (TSX:TVE).

Performance

Tamarack has been on a tear. Year to date, the company's share price has risen by 50%! This is in spite of losing 11% of its value over the past week. The company's performance is due in large part to its record production.

This oil and gas exploration company is slowly transitioning to a mid-tier production company. It has a low-risk inventory of oil development drilling locations, which are in the Western Canadian Sedimentary Basin. Of note, 95% of Tamarack's oil production is high-value light oil. Tamarack has had a great first half of the year, and as such, it raised guidance along with second-quarter results.

Raised guidance

Thanks to strong drilling results, higher production volumes, and lower costs, the company is having a banner year. In the second quarter, production grew by 62% over last year and its operating netback was $34.15 per barrel of oil equivalent (boe). This was up 55% over the second quarter of 2017.

Its outperformance is expected to continue. As such, it has raised production guidance by 1,000 boe per day. If it achieves similar operating netbacks per boe, that is an additional $6 million in revenues. Likewise, the company is being aggressive in its capital-allocation plan.

In light of strong operational performance, it has accelerated approximately 11% of its anticipated 2019 capital expenditures. Putting the capital to work in 2018 will benefit Tamarack into 2019 and 2020. This is a smart move, as its accelerated capital spend of $28 million is expected to be fully funded by adjusted fund flows.

Expected growth

In 2019, the company expects to growth production by 6.3% at the mid-range of guidance. Should prices remain at these levels, Tamarack will generate significant free cash flow, which it expects to be used in one of three ways — acquisition, share buybacks, or debt repayment.

Over the next couple of years, analysts expect the company to grow revenues by approximately 18% annually. Likewise, earnings per share (EPS) are expected to turn positive. In 2019, the company is expected to post EPS of $0.31, more than double analysts' estimates for earnings of $0.14 per share in 2018. Analysts are almost unanimous in their coverage of the company. Of the 18 analysts covering the company, 17 rate it a buy with a one-year average price target of $6.38.

This implies 42% upside from today's share price!

Tamarack is a rare find. Trading at only 13 times forward earnings, it's cheap and should be of interest to value investors. Combined with its high growth, this under-followed gem can turbocharge your portfolio returns. A double over the next couple of years is within reach.

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