



## Analysts Are Very Bullish on This Top Canadian Energy Stock Today

### Description

The energy sector went through a rough patch last year, to put it mildly.

However, this year it appears to have started off much better. Indeed, with oil prices surging, stocks that have exposure to commodities have experienced tremendous stock price appreciation. For investors who are looking for a growth play in the energy space right now, I believe that **Tamarack Valley Energy** ([TSX:TVE](#)) is certainly an [option](#) worth considering. Here's why this top pick of Bay Street could be an excellent way to play energy.

### Raymond James analyst upgrades Tamarack

According to Jeremy McCrea, an analyst at Raymond James, the market is yet to welcome Tamarack's exploration in Alberta's Clearwater oil play. Hence, he has now upgraded his previous "outperform" rating to "strong buy."

As investors are bullish on E&P stock price due to optimism surrounding West Texas Intermediate (WTI) prices, he expects to see valuation multiple expansion concerning a few names in the industry. Indeed, there is a history of multiple expansion in this sector, particularly when commodity prices are on the rise like they are now.

In December, this Calgary-based company announced two acquisitions for \$90 million. Pursuant to the acquisitions, Tamarack would acquire the Clearwater oil play with a production capacity of 2 million boe/day. On March 25, Tamarack further announced two acquisitions for \$135 million, having a combined production capacity of 2.8 million boe/day.

McCrea thinks that these acquisitions were overlooked by investors as the announcements were made during the Q4 reporting period. He has increased his target price for this stock to \$3.50.

### Tamarack's valuation is dirt cheap

Tamarack's acquisitions make the company an intriguing profitable oil play in the Canadian energy space. As Tamarack shares trade at roughly 2.5-times the free cash flow, investors can pay only half the industry multiple with this play. Indeed, many believe the reason this stock is a steal is primarily due to the inefficiency in Canada's small-cap sector, enabling investors to buy this stock at a 24% free cash flow yield.

That's not bad.

Once Tamarack gets its debt under control, it should soon be able to pay dividends, while ensuring moderate production growth. Moreover, this company could return capital to shareholders by buying back its shares. Indeed, at \$60 WTI, the company has the potential to pay off its debt in less than five years.

Debt concerns are a big reason most oil producers took a hit last year as oil prices dropped. However, if investors believe these oil prices are here to stay, companies like Tamarack with high levels of leverage are going to outperform. Accordingly, this is a top pick of mine right now for small cap energy investors today.

## CATEGORY

1. Energy Stocks
2. Investing

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## TICKERS GLOBAL

1. TSX:TVE (Tamarack Valley Energy Ltd)

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