



3 Top Energy TSX Stocks That Rose up to 250% This Year

Description

Several factors drove energy TSX stocks this year. Apart from rising oil and gas prices fueling energy companies' financial growth, improving balance sheet strength also perked up investor sentiment. Additionally, expanded pipeline capacities in Canada catered to the increasing demand of the end user.

Top-rallying energy TSX stocks of 2021

TSX energy stocks have risen 75% in the last 12 months against 20% growth of the Canadian markets. Interestingly, some energy stocks stood way strong compared to the overall energy sector's performance in 2021.

For example, **Birchcliff Energy** ([TSX:BIR](#)) stock has gained a massive 250% this year. Peers **Enerplus** ([TSX:ERF](#))([NYSE:ERF](#)) and **MEG Energy** ([TSX:MEG](#)) have risen 200% and 170%, respectively. We have considered companies in the S&P/TSX Energy Capped Index.

Now, as the [energy markets](#) are expected to flourish next year amid re-openings, will these small-cap superstars continue to outperform?

Let's see whether these TSX energy stocks have any steam left.

Birchcliff Energy

Birchcliff has been the top-performing energy stock on the TSX Energy index in 2021. High energy commodity prices notably increased its free cash flows this year. In Q3 2021, the company generated a free cash flow of \$150 million, approximately equal to the free cash it generated during the whole of 2020.

While talking with *BNN Bloomberg*, Jeff Tonken, the chief executive of Birchcliff Energy, said that he [sees](#) superior oil and gas prices for the next 12 to 24 months amid relatively less drilling and increasing demand. Birchcliff's liquidity position notably improved as well as leverage went down in 2021.

The company expects higher cash distribution via dividends and share buybacks next year. It recently doubled its quarterly [dividend](#) after a solid financial performance during the quarter. Though the yield is not much high, it implies management's confidence in its future financial growth.

Birchcliff is a \$1.8 billion low-cost oil and gas producer that aims to produce 80,000 boe/d in 2021. If energy prices remain supportive next year, Birchcliff could continue to unlock value for shareholders.

Another mid-sized oil and gas producer Enerplus showed a similar movement and soared 200% this year. The stock is currently trading at its three-year-high levels. The management expects free cash flow to increase to \$640 million next year from \$540 million in 2021.

MEG Energy stock also stands tall with its 170% gain year to date. Moreover, it aims to produce 93,000 mboe/d in 2021, almost 13% higher than last year. A higher free cash flow outlook could continue MEG shares as well amid higher energy commodity prices next year.

Energy markets in 2022

Interestingly, Canadian energy producers seem to be in no hurry to drastically increase production, despite the favourable commodity price environment. Rather, they are increasingly looking to maintain capital discipline and improve shareholder value.

Thus, it seems evident for now that if higher commodity prices persist through next year, energy companies will likely generate higher free cash flows. This excess cash most likely will go to debt repayments. And shareholders will likely see greater cash distribution in the form of dividends and buybacks. In addition, robust financial growth could drive their market performances as well.

CATEGORY

1. Energy Stocks
2. Investing

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2. TSX:BIR (Birchcliff Energy Ltd.)
3. TSX:ERF (Enerplus)

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Date

2025/08/14

Date Created

2021/12/10

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