2 Energy Stocks That Could Double in 2022

Description

The TSX's energy sector was the undisputed winner in 2021. While the sector's overall gain for the year reached 80%, many individual energy constituents had returns of up to 400%. As of mid-month January 2022, energy stocks have advanced by 16.19% already.

Most of the top energy stocks from last year are likely to duplicate their performances this year. However, if you want to at least double your money in 2022, take a position in high-growth stocks **Crew Energy** (TSX:CR) or **Tamarack Valley Energy** (TSX:TVE). Likewise, the share prices are below $5, so they are good entry points.

Improvement in leverage metrics

Crew Energy investors realized a considerable windfall in 2021, as the energy stock delivered an overall return of 408.93%. As of January 14, 2021, the share price is still cheap at $3.34, while the year-to-date gain stands at 16.78% already.

The $458.38 million company is a growth-oriented natural gas weighted producer. It operates exclusively in the world-class Montney play in northeastern British Columbia. Management recently announced a capital expenditure budget between $70 and $95 million for 2022.

The board-approved budget should help Crew achieve its increased annual average daily production target. It should also expand the adjusted funds flow (AFF) and generate free AFF for ongoing debt repayment. The result should be a significant improvement in Crew's leverage metrics.

Crew's president and CEO Dale Shwed said that after a solid performance in 2021 the company is in a stronger position than originally anticipated. Shwed noted the positive impact of new production volumes coming on-stream into a stronger commodity price environment. Crew's unit cost reductions that expand margins should help generate meaningful AFF in excess of capital expenditures.

Shwed further added, "In 2022, we expect to increase production per share by approximately 20% and AFF per share by approximately 54% at the midpoint over 2021." Crew should also generate significant free AFF to pay down bank debt and improve leverage metrics.

First dividend program

Tamarack Valley's total return in 2021 was an eye-popping 200.79%. As of mid-January 2022 ($4.70 per share), the energy stock has gained 22.08% already. The $1.91 billion crude oil, natural gas, and natural gas liquids (NGLs) producer is excited for 2022.

According to management, the board-approved $250-$270 million capital budget for the year should result to a significant free funds flow. Tamarack Valley should likewise generate an annual production of 45,000 to 46,000 boe/d. It will bring about the return-of-capital optionality and maintain a strong balance sheet.

Tamarack Valley's president and CEO Brian Schmidt said, "We are excited to roll out a strong 2022 plan with a continued focus of building on and delivering sustainable free funds flow." Schmidt stressed that the program's design provides an optimal balance of investment across Tamarack's asset base.

He further stated that the updated five-year plan includes the acquisition of Crestwynd Exploration. The company expects to generate robust free funds flow of more than $1.1 billion at US$55/bbl WTI and over than $2.1 billion at US$70/bbl WTI. Tamarack Valley will also implement a dividend program this year. The energy stock's inaugural monthly cash dividend is payable on February 15, 2022.

From obscurity to high growth

Crew Energy and Tamarack Valley no longer fly under the radar. Both energy stocks could deliver outsized gains anew this year.

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cliew