



## Birchcliff Energy: Why Last Year's TSX Energy Star Tumbled This Week

### Description

### What happened?

Canada's natural gas producer **Birchcliff Energy** ([TSX:BIR](#)) stock plummeted 12% this week and fell close to its four-month lows. Last year, the stock rose 260% and was among the top-gainer TSX stocks in 2021.

The weakness in Birchcliff's share price was mainly led by the fall in natural gas prices this week. Meanwhile, the company has recently issued an upbeat outlook for growth through 2026.

### So what?

Birchcliff Energy sees an ongoing supportive energy market environment to substantially drive its free cash flow growth for the next few years. It expects potential cumulative free cash flows of \$1.9 billion by 2026. With such steep financial growth, the company intends to turn its total debt to zero by next year.

Birchcliff Energy is a \$1.6 billion Calgary-based energy producer with 80% production dominated by natural gas. Like many energy companies, Birchcliff has seen superior financial growth in 2021 with record gas prices. Because of this, it doubled shareholder payouts from \$0.005 per share to \$0.01 in Q4 2021.

Importantly, Birchcliff management [sees](#) immense potential for future dividend growth if energy commodity prices remain constructive. So, investors can expect a significant increase in [dividends](#) once Birchcliff's total debt comes within the targeted range.

According to the guidance released by the company, Birchcliff will end 2022 with a total debt of approximately \$185 million. That's a notable drop of 77% from its debt as of December 2020.

This has been the theme so far for Canadian energy companies. Instead of allocating capital towards

growth projects amid higher prices, they have been busy working on improving their balance sheet strength.

This week, Canada's largest natural gas producer **Tourmaline Oil** also released an optimistic outlook. It [increased](#) the quarterly dividend by 11% and also issued a generous special dividend. TOU stock has also been on fire lately and has gained 125% in the last 12 months.

## Now what?

Birchcliff Energy's strong five-year plan should improve investor sentiment in the short term. The stock could change its course, as energy prices have ticked higher.

Energy stocks have seen a meteoric rise since mid-2020. Note that Birchcliff stock has shown a moderate correlation with natural gas prices since last year. So, that will be the biggest cue for its financial guidance and market performance going forward.

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