Buy Now! 3 TSX Oil Sands Stocks With High-Growth Potential

Description

Energy was the top-performing sector last year and a commodities bull market could propel to it to the leaderboard again in 2022. As January winds down, the energy sector is outperforming the broader index at +16.77% versus -2.27%. Investors looking for growth stocks should include **Suncor Energy** (TSX:SU)(NYSE:SU), **Cenovus Energy** (TSX:CVE)(NYSE:CVE), and **MEG Energy** (TSX:MEG).

The three oil sands stocks are well positioned to repeat their winning performances in 2021. Suncor regained investors' confidence with its 54% total return and the return of dividends to pre-pandemic levels. Cenovus and MEG had spectacular runs, resulting in gains between 101% and 163%.

These oil sands producers should continue to benefit from low operating costs and generate substantial cash flows in 2022. Because cash balances are growing, the companies can pay down debts and return more to shareholders via dividends or share buybacks.

Oil bellwether

Suncor Energy is a member of the Oil Sands Pathways to Net-Zero Alliance. The acknowledged oil bellwether, Cenovus, MEG, **Canadian Natural Resources**, and **Imperial Oil** account for 95% of all oil sands production in Canada. The group's goal is to achieve net-zero greenhouse gas (GHG) emissions by 2050.

Roger Read, a senior analyst at **Wells Fargo**, singled out the $52.86 billion integrated energy company, saying investors can expect another good year. Read further said the restoration of the dividend payout to late-2019 levels is a sign that management expects normalized performance for the foreseeable future.

Some market analysts are more bullish and forecast an upside potential of as much as 43.85% in one year. If you invest today, the share price is $36.15, while the dividend yield is 4.65%. In Q3 2021, operating earnings reached $1.04 billion compared to the $338 operating loss in Q3 2020.

Potential outperformers

Suncor Energy is the oil favourite right now, although Cenovus Energy and MEG Energy could outperform in 2022. The tailwind for the two is oil rising to higher-than-expected prices.

In Q3 2021, Cenovus saw its cash from operating activities and adjusted funds flow increase 192% and 475% versus Q3 2020. The $37.14 billion oil and natural gas procedure reported $551 million net earnings during the quarter compared to the $194 net loss in the same period in 2020.

Its president and CEO Alex Pourbaix said the company can swiftly advance toward less than $8 billion net debt target because of its current free funds flow capacity. Cenovus will likewise balance growth in shareholder returns. This energy stock ($18.41 per share) pays a modest 0.76% dividend.

MEG Energy (+25.38%) has outperformed Cenovus (+18.70%) and Suncor (+14.22%) year to date. The $4.5 billion energy company expects higher free cash flows in the coming quarters due to the positive commodity price environment.

This energy stock is a non-dividend payer, although management plans to allocate a portion of free cash flow in 2022 to shareholder returns. MEG sunk to low of $1.40 on March 23, 2020. Today, the share price is $14.67, or 947.86% higher. A 100% return this year isn't remote.

Unique opportunities

Al Reid, the Oil Sands Pathways to Net Zero alliance director, said the oil sands have challenges and opportunities that are unique within the broader oil and natural gas industry." These oil sands producers can pad their cash balances further in 2022.

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