



Top Picks: A Pair of Under-\$10 Energy Stocks With 500% Upside

Description

Many investors fear missing out on cryptos like **Bitcoin** and **Ethereum** because of their outsized returns in the past. However, those who've invested in the energy stocks in 2021 realized [considerable windfall](#), too. The sector keeps surging, as evidenced by its 22.77% year-to-date gain.

The financial (+5.45%) and communications services (+3.72%) sectors are distant second and third, while the remaining eight are in negative territory. A pair of energy stocks stand out based on their trailing one-year price returns.

NuVista Energy's ([TSX:NVA](#)) gain in 12 months is 645.16%, while the price of **Baytex Energy** ([TSX:BTE](#))(NYSE:BTE) is up 500% from a year ago. The former trades at \$9.24 per share, and the latter is absurdly cheap at \$5.22. Both could be [high flyers](#) again in 2022 if oil prices climb to US\$100 per barrel or higher very soon.

Top-quality assets

NuVista will present its 2021 financial and operational results on March 2, 2021. However, preliminary data shows it achieved record production in Q4 2021. According to management, total production increased by 18% and 22% versus Q3 2021 and Q4 2020.

Moreover, the increased production and favourable pricing environment enabled a significant reduction in bank debts. Because of its decision to direct free cash flows toward debt reduction, management exceeded its debt-reduction expectations. NuVista reduced debt by \$68 million in Q4 2021 and \$169 million for the year.

NuVista is confident it could achieve its net debt target of below \$400 million by mid-2022. The \$2.09 billion condensate and natural gas company will bank on its top-quality assets to succeed with its Montney growth plan.

For 2022, the annual production estimate is 65,000 to 68,000 Boe/d, or about 30% annual production growth versus from 2021. Management is prepared to adjust the pace of annual growth to ensure

balance sheet strength. The ongoing concern is to maximize profitability and value growth per share.

Meaningful cash flow generation

Baytex is close to hitting its 52-week high of \$5.27 following a spectacular run in the last 12 months. As of this writing, this energy stock outperforms at the energy sector and the broader market with its 33.5% year-to-date gain. Also, this \$2.94 billion oil and gas company will present its Q4 2021 and full-year results on February 24, 2022.

In the first three quarters of last year, net income reached \$1.05 billion compared to \$2.66 billion net loss in the same period in 2020. Total sales and adjusted funds flow grew 77.4% and 131.5% year over year. Management expects to report more than \$400 million in free cash flow for 2021.

Baytex's five-year outlook focuses on financial and operational sustainability plus meaningful free cash flow generation. The board of directors approved a \$400 to \$450 million capital budget for 2022. Its president and CEO Ed LaFehr said, "We expect to generate approximately \$2.1 billion of cumulative free cash flow through our 2021-2025 five-year outlook."

Management commits not to deviate from its disciplined, returns-based, capital-allocation philosophy throughout the plan period. Because of the strong pricing environment and continued capital discipline, Baytex hopes to meet its \$1.2 billion net debt target in Q2 2022.

Profitable options

Energy stocks like NuVista and Baytex are [profitable options](#) in 2022. Their potential gains could be so much more than cryptocurrencies.

CATEGORY

1. Energy Stocks
2. Investing

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1. Editor's Choice

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