3 Energy Stocks With 26% YTD Gains Are Still Soaring

Description

The energy sector is scorching hot again in 2022 as the comeback of oil isn't over. Industry experts and analysts agree that reaching US$100 per barrel is going to be very easy. Investors can pinpoint the top growth stocks to buy this month from the year-to-date gains.

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As of February 7, 2022, **MEG Energy** (TSX:MEG), **ARC Resources Ltd.** (TSX:ARX), and **Cenovus Energy** (TSX:CVE)(NYSE:CVE) are up by at least 26% year-to-date (YTD). Also, at their current share prices, the trailing one-year price returns are between 125% and 175%. Based on market analysts' forecasts, the upside potential could be more massive than last year's returns.

Go forward

MEG is not a dividend payer but prospective investors should delight in its go-forward capital allocation strategy. Because of the favourable price environment, management plans to prioritize debt repayment in 2022 and start allocating a portion of free cash flow generated to shareholder returns.

The $4.67 billion energy company announced in late November its 2022 capital investment plan worth $375 million. According to management, the total amount of capital represents approximately 35% of MEG's estimated full-year 2022 adjusted funds flow.

About 83% of the total budget or $310 million is sustaining and maintenance capital. MEG will direct 15% ($46.5 million) of the said capital toward turnaround activities in Q2 2022. The rest will go to drilling, completing, and tying in of new system-assisted gravity drainage (SAGD) and infill wells.

MEG sunk to as low as $1.22 on March 27, 2020, but trades 1,150% higher today ($15.25). Market analysts expect to see the price appreciate by as much as 63.9% to $25 in one year.

High-flyer

ARC Resources was a high-flyer in 2021 owing to its total return of 96.9%. Had you invested $10,000 on year-end 2020 and sold the stock on December 31, 2021, your capital would have grown to $19,691.78 in 12 months. The energy stock currently trades at $15.10 per share and is still surging (+31.3% year-to-date).

If you invest today, the dividend yield is a decent 2.65% dividend, following the 52% dividend hike effective January 17, 2022. The $10.63 billion crude oil, natural gas, and natural gas liquids (NGLs) company is the largest pure-play Montney producer.

Apart from low-cost operations and leading ESG performance, ARC boasts an investment-grade credit profile and geographic diversity.

Successful synergy

Cenovus Energy carries a buy rating from analysts who predict a 43.1% upside potential within one year. At $19.56 per share, current investors enjoy a 26.1% year-to-date gain. The future gain could be so much more after the $39.46 billion integrated energy company reported impressive Q4 2021 and full-year financial results.

In 2021, total revenue increased 243.7% to $46.4 billion. Management credits the exceptional operational performance of the business combination with Husky Energy. Notably, cash from operating activities soared 2,097.8% to $6 billion versus 2020.

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Cenovus announced the resumption of dividend payments (0.71% yield) this year effective March 31, 2022. Expect the co-founder of the Oil Sands Pathways to Net-Zero Initiative to continue working on its foundational carbon capture, utilization, and storage project.

Top draws

MEG, Arc Resources, and Cenovus are the top draws in TSX's energy sector today. All three are well-positioned to deliver considerable gains once more in 2022.

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