2 Energy Stocks Could Climb Faster Than Oil Prices

Description

Industry experts warns of more upward spiral after Brent and WTI reached US$118.1 and US$115.7 per barrel over the weekend. Now, they're looking at the US$150 threshold if the West moves to ban Russian oil next. On the TSX, the energy sector continues to soar. The year-to-date gain is over 30%, an overwhelming outperformance versus the broader market.

High-growth stocks are plenty, including **MEG Energy** (TSX:MEG) and **Crescent Point Energy** (TSX:CPG)(NYSE:CPG). Both stocks are soaring faster than oil prices. Their trailing one-year price returns are more than 90%. Consider taking positions in one or both for outsized gains in the near term.

Tremendous demand

Derek Evans, president and CEO of MEG, expects "tremendous demand" for Alberta oil due to the Russia-Ukraine war and energy crisis in Europe. Alberta oil is starting soar this year. Its heavy crude benchmark, Western Canadian Select (WCS), topped US$100 per barrel on March 4, 2022. Evans doesn't think demand will slow down.

In the full year 2021, free cash flow rose 271.4% to $468 million versus the full year 2020. MEG also reported net cash from operating activities of $690 million — a 128.5% year-over-year growth. Because of stronger global crude prices, the $5.59 billion energy company realized net earnings of $283 million compared to the $357 million net loss in 2020.

Management plans to allocate about 25% of MEG's free cash flow to share buybacks and use the rest to wash down debts until the balance reduces to US$1.2 billion. The company can reach the target in Q3 2022 if the current commodity prices is unchanged. MEG will then allocate 50% of its cash flow thereafter to share buybacks and further debt reduction.

ESG investors should welcome MEG’s progress climate change and greenhouse gas (GHG) emissions. Other priorities include water and wastewater management, health & safety, andindigenous relations. Besides a strong governance model, management boasts safe and reliableoperations and a dedicated team to achieve its objectives.

This energy stock is a non-dividend payer, but it has delivered a total return of 162.9% last year. MEG trades at $18.24 per share — a year-to-date gain of 55.9%.

Rising profits

Expect Crescent Point to rise further following its impressive results in Q4 2021. The $5.37 billion oil producer $121.6 million in profits during the quarter compared to the $51.2 million net loss in Q4 2020. Total oil and gas sales climbed 101.1% year over year to $900.4 million.

Kaybob Duvernay, an onstream, fully operated five-well pad acquired from Shell Canada, was a big boost to the quarterly results. For 2022, management will focus a larger percentage of its capital budget to Kaybob Duvernay. Crescent expect Kaybob to deliver 120% returns and reach payout in less than one year.

Crescent Point expects to generate approximately $1.1 billion free cash flow this year. At the present commodity prices, it hopes to achieve its near-term net debt target in the next six months. This energy stock flew high in 2021, as evidenced by its 128.8% return.

Analysts project the current share price of $9.52 to appreciate between 16.1% and 63% in 12 months. The overall return should be higher as Crescent pays a 1.89% dividend.

Excellent prospects

MEG Energy and Crescent Point are excellent prospects from growth investors this month. Oil prices will keep rising in the weeks, if not months, ahead.

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