



## This TSX Stock Has Gained 100% This Year: Will it Continue?

### Description

While broader markets have been shaky this year, one sector that has been consistently climbing is energy. Since last year, crude oil has been unstoppable, boosting energy companies' earnings prospects for 2022 and beyond.

### Top energy performer: Athabasca Oil

Notably, Canadian small-cap energy stocks have remarkably outpaced their larger counterparts in this rally. Small-cap, top-performer stock **Athabasca Oil** ([TSX:ATH](#)) has doubled this year, while Canadian energy stocks at large have gained 35% so far. ATH stock has gained almost 1,500% since mid-2020.

Apart from the financial growth driven by higher oil prices, Athabasca's improved leverage played a pivotal role in the stock's surge.

The company had approximately \$400 million in net debt at the end of December 2020. Higher oil prices improved its free cash flow, which the company used to repay the debt. So, at the end of December 2021, Athabasca's net debt dropped to \$172 million.

Athabasca is a \$1.2 billion liquids-focused company with a production of 35,000 barrels of oil per day.

### Declining debt and expanding earnings

Athabasca [forecasts](#) it will generate \$180 million free cash flow by the end of this year. It aims to turn net debt zero company this year. The free cash flows will accumulate to \$900 million through 2024, assuming WTI oil price at US\$85 a barrel.

Importantly, as oil prices reached record highs in Q1 2022, its debt-repayment program could gain pace. Dividends and share buybacks could be on the cards if the company achieves its leverage target sooner.

And it's not just Athabasca. Almost all Canadian energy companies have been following [the theme](#). **Baytex Energy** ([TSX:BTE](#))(NYSE:BTE) also managed to trim down its net debt since last year, driven by a handsome free cash flow growth.

Baytex reported a net income of \$563 million in Q4 2021 — more than double the Q4 2020. The company could see handsome earnings growth continuing amid the crude oil prices strength for the next few quarters.

Undoubtedly, BTE stock has been on a roll since last year, gaining more than 350%. Since the pandemic, it has returned 1,100%.

Baytex Energy is a \$3 billion energy company that derives 70% of its revenues from crude oil, while the rest comes from natural gas and liquids. It aims to produce 80,000 to 83,000 barrels of oil per day this year — marginally higher than 2021.

## What's next for ATH stock?

Even after such a tall rally, Canadian energy stocks do not look stretched from the valuation perspective. Both Athabasca Oil and Baytex stock are trading three times their earnings, which indicates a striking upside potential.

Considering significantly high oil prices than Athabasca estimate, the company will likely see another massive quarterly performance. The stock may not continue the same momentum it has shown since the pandemic, but it could continue to soar higher due to robust financial growth, improving leverage, and attractively valued stock.

### CATEGORY

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