High Growth: 2 Energy Stocks Make Cryptos Look Inferior

Description

Two beaten-down oil companies in 2020 made stunning comebacks and continues to make waves. If you look at the performances of **Meg Energy** (TSX:MEG) and **Whitecap Resources** (TSX:WCP) in 2022, the pair make cryptos look inferior.

Bitcoin, the world's largest and most popular cryptocurrency, is down 14.6% and is struggling since the start of the year. In contrast, investors in Meg Energy and Whitecap Resources are ahead year to date by 89.49% and 45.33%, respectively. If the favourable pricing environment sustains, expect both energy stocks to trade higher throughout the year.

Record highs

BBC reported that oil prices are soaring back to record highs. If you recall, the rebound or demand for crude returned in June 2021. OPEC cut production too deep but isn't increasing supply this year, despite surging oil prices. An embargo on Russian oil by the West could squeeze supply further.

Unless the cartel relent to requests for higher production output, international crude prices will remain above US$100 per barrel. Thus, it could feed inflation, slow down economic growth, and batter consumers around the world. Meanwhile, the TSX's energy sector remains red hot with its more than 56% year-to-date gain.

Resounding revenue growth

Meg Energy advanced 8.57% on May 4, 2022. After reporting a 67.5% revenue growth in Q1 2022 versus Q1 2021. Also, in the three quarters ended March 31, 2022, net earnings ballooned to $362 million compared to the $17 million net loss in the same period last year.

Derek Evans, Meg's president and CEO, "The first quarter was a record quarter for MEG from both an operational and financial perspective. He added, "The team achieved record quarterly production, which together with strong benchmark pricing and low differentials drove record free cash flow in the quarter."

Notably, funds flow from operating activities during the quarter climbed 385% to $587 million versus Q1 2021. Management now plans to accelerate debt reduction and initiate share buybacks in Q2 2022. As of March 31, 2022, net debt stands at $2.15 billion or $251 million lower from December 31, 2021.

Meg Energy is a non-dividend payer, although its price appreciation should compensate for that. At $22.17 per share, the trailing one-year price return is 204.12%. Market analysts' high price target in 12 months is $34 (+53.3%).

Financial flexibility

Whitecap Resources had a similar story in Q1 2022. This $6.63 billion oil & gas company reported 123% and 3,222% increases, respectively, in revenues and net income. The latter jumped to $652.32 million from $19.63 million. Funds flow topped $505 million — a 169.3% year-over-year increase.

Management was pleased with the record production (132,691 boe/d) and the strong operating netback. Because of the financial flexibility and lower net debt, the balance sheet is stronger. Moreover, the 33% increase in dividends confirms Whitecap's return of capital priority. At $10.77 per share, the trailing one-year price return is 103.97%. If you invest today, the dividend yield is 3.46%.

Grant Fagerheim, Whitecap's CEO, said, the company will increase natural gas activity (drilling) to capitalize on the surge in prices.

Exciting choices

Meg Energy and Whitecap Resources are exciting choices today. Unlike cryptocurrencies, you can make sound investment decisions based on the oil companies operational and financial performances.

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