2 Energy Stocks With Unstoppable Price Gains

Description

Commodity investing, especially in crude oil, is the most profitable strategy these days. Because of war-induced supply chain disruptions, economists expect commodity prices to remain high throughout 2022. They project Brent crude oil to average US$100 per barrel this year, which is a sharp 40% increase from 2021.

Since the duration of the Russia-Ukraine war is indeterminable, the severity of disruptions could worsen, while commodity flows might tighten. Meanwhile, energy stocks remain red hot this month. Despite the alternating ups and downs of the TSX, the sector's year-to-date gain is over 55%.

The strong momentum of **Cenovus Energy** (TSX:CVE)(NYSE:CVE) and **Crescent Point Energy** (TSX:CPG)(NYSE:CPG) is driving their stocks higher. If the favourable price environment persists, expect the price gains in 2022 to be unstoppable.

Total shareholder returns

Cenovus reported a significant $408 million risk-management loss in Q4 2021 but came back strong in Q1 2022. In the three months ended March 31, 202, net earnings increased 639% to $1.62 billion versus Q1 2020. Notably, free funds flow increased 209% to $1.83 billion compared to the same quarter in the previous year.

Its president and CEO, Alex Pourbaix, said, "We have consistently delivered on our commitments to our shareholders. After rapidly deleveraging our balance sheet, we are now able to provide a much clearer picture of how we will position Cenovus for the longer term — as a leader in delivering total shareholder returns."

Because of the strengthened balance sheet and reliable operating performance, the board of directors approved tripling the base dividend. The generous dividend hike will take effect in Q2 2022. As of May 6, 2022, current investors are up 69.73% year to date and should enjoy a higher dividend soon (1.88%).

Based on market analysts' forecast, the stock could still climb by as much as 45% to $38 in 12 months. With the projected higher capital expenditure budget ($2.9 to $3.3 billion) in 2022, expect the $52 billion integrated energy company to capitalize on opportunities throughout the commodity cycle.

Growth driver

Crescent Point Energy is a high flyer like Cenovus. The year-to-date gain is now 42.3%, although the return potential is between 38% (average) and 110% (high). Based on market analysts' forecast, the current share price of $9.74 could climb to a high of $20 in one year.

In Q4 2021, this $5.48 billion oil producer reported a $121.6 million net income compared to the $51.2 million net loss in Q4 2020. Total revenue for the quarter reached $900.4 million — a 101% jump from the same quarter in the previous year. The Kaybob Duvernay play, an asset bought from Shell Canada in 2020, was the major boost to the impressive quarterly results.

Ryan Gritzfeldt, Crescent's chief operating officer, said, "This is a great achievement that we have delivered in a very short period of time and that we will be sure to build on moving forward." He added that the Kaybob Duvernay is management's largest focus in its capital budget for 2022.

At the current commodity prices, Crescent Point should meet its near-term debt target by mid-year. It also expects to generate approximately $1.1 billion in free cash flow in 2022.

Exciting picks

Cenovus Energy and Crescent Point are exciting picks if you seek both capital gains and recurring income streams.

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1. Energy Stocks
2. Investing

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