3 Small-Cap TSX Energy Stocks That Doubled This Year

Description

Investors despised energy stocks till a few years back for their consistent underperformance. However, since the pandemic, the picture has turned upside down, and energy names are set to beat broader markets for the third year in a row. TSX energy stocks have gained 65% so far in 2022, while **TSX Composite Index** has rather lost 5%!

Perhaps, that's nothing compared to some of the flourishing small caps. For example, some of the TSX energy stocks have surged 15 to 20-fold since the pandemic.

Cardinal Energy

First on our list is Calgary-based **Cardinal Energy** (TSX:CJ). The stock has gained 100% this year and 1,800% since the mid-2020. In addition, the company recently reinstated its dividends of $0.60 per share annually, indicating a solid yield of 6.7%. Note that Cardinal will continue to pay the same level of dividends, even if oil prices halve from here.

Cardinal is a $1.35 billion company that produces around 20,000 barrels of oil equivalent per day.

Cardinal Energy's free cash flow increased from $52 million in Q1 2021 to $87 million in Q1 2022. Its higher production, coupled with higher prices, drove such handsome growth.

Interestingly, Cardinal Energy was left with a massive cash hoard, even after repaying a large portion of debt and allocating for capital projects. As a result, it restored shareholder dividends and might continue to aggressively pay shareholders in the future.

Cardinal showed massive improvement in cash flow and debt repayments when oil averaged around US$94 a barrel in Q1 2022. Its second-quarter performance will likely be even more vital considering current oil prices close to US$110 a barrel.

Athabasca Oil

Athabasca Oil (TSX:ATH) is another crude oil play that has doubled this year. The stock fell to $0.12 levels during the pandemic and is currently trading close to $2.5.

Athabasca Oil had $400 million in net debt at the end of 2020, which dropped to $152 million during Q1 2022. Higher oil prices drove its free cash flows since last year. So, the strengthened balance sheet has mainly been behind the steep stock rally.

Like peer TSX energy stocks, ATH will also likely head higher, driven by rallying oil and gas prices. Most importantly, the stock's current valuation does not look stretched and implies more upside potential.

Precision Drilling

Oilfield services stock **Precision Drilling** (TSX:PD)(NYSE:PDS) seems to be rallying back up after a notable pullback late last month. It has already doubled this year.

Precision Drilling is a $1.3 billion company that provides an extensive fleet of contract drilling rigs, well service, camps, and rental equipment. The company reported a widened loss in Q1 2022 than last year.

Precision Drilling management conveyed its higher demand outlook amid the strong price environment. It has announced an increased capital-expenditure plan of $125 million for this year — an increase from $98 million from its previous estimate.

Higher energy commodity prices will likely keep supporting PD stock. Moreover, its improving balance sheet and strong earnings-growth prospects should drive the stock higher.

CATEGORY

1. Energy Stocks
2. Investing

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2. TSX:CJ (Cardinal Energy Ltd.)
3. TSX:PD (Precision Drilling Corporation)

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