



Great Value: 3 Energy Stocks With Monster Gains of Over 75%

Description

The year-to-date gain of the TSX's [energy sector](#) is now 61.8%, making it the star performer. Many of its constituents are among the top 100 price performers in 2022. Materials also outperform but are a far distant second with +8.88%.

Market analysts predict that Canada's primary stock market will outperform the S&P 500 Index in the U.S. over the next several years. Another interesting observation is that the TSX performs better than its American counterpart when the country's GDP growth is above 3.5%.

Baytex Energy ([TSX:BTE](#))(NYSE:BTE), **NuVista Energy** ([TSX:NVA](#)), and **MEG Energy** ([TSX:MEG](#)) are great value buys today, owing to their year-to-date gains of 76.47%, 84.48%, and 85.90%, respectively. Their gains could soar 100% or more, despite rising inflation due to the favorable pricing environment.

Meaningful free cash flow

At \$6.90 per share, Baytex's trailing one-year price return is 318.2%. Had you invested \$5,000 on year-end 2021, your money would be worth \$20,909.09 on May 25, 2022. This \$1 billion Calgary-based energy company develops and produces crude oil and natural gas in the Western Canadian Sedimentary Basin and the Eagle Ford in the U.S.

In Q1 2022, total sales (petroleum and natural gas) and free cash flow (FCF) increased 75.2% and 72.1% versus Q1 2021. The quarter's highlight was the net income of \$56.85 million. Baytex incurred a net loss of \$35.35 million in the same quarter last year. In Q4 2021, net income reached \$563.23 million.

For 2022, Baytex will focus intensely on maintaining capital discipline and driving meaningful free cash flow. Management expects to generate an FCF of around \$700 million. It also plans to allocate 25% of FCF for share buybacks.

Record-setting quarterly results

NuVista's advance should be unstoppable after reporting record-setting operational and financial results in Q1 2022. In the three months ended March 31, 2022, the total production of 66,600 Boe/d was well above the guidance range of 64,000-65,000 Boe/d. Its net earnings climbed 356.5% to \$70.3 million versus Q1 2021. The \$190 million adjusted funds flow was also the highest ever in a quarter.

The ongoing concern of this \$2.93 billion oil and natural gas company is to maximize the value of its top-quality asset base to ensure the long-term sustainability of the business. NuVista doesn't pay dividends, but the price appreciation can more than compensate. At \$12.84 per share, the gain from a year ago is 350.53%.

Debt reduction is a key component

MEG Energy is on fire and deserves to be on your buy list. At \$21.75 per share, this oil stock outperforms the red-hot energy sector by 24.1%. In 3.01 years, the total return is 369.76% (67.32% CAGR). Because of the record financial results in Q1 2022, the \$6.69 billion oil sands developer reduced its US\$1.89 billion net debt by 9.2%.

Net profit for the quarter was \$362 million compared to the \$17 million net loss in Q1 2021. MEG plans to allocate 50% of FCF to share buybacks if it achieves the debt target of US\$1.2 billion in Q3 2022.

Pricing powers

The percentage weight of the energy sector in the TSX is only 13.1% compared to the 32.2% of financials. However, expect Baytex, NuVista, and MEG to have pricing powers if commodity prices remains elevated.

CATEGORY

1. Energy Stocks
2. Investing

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1. TSX:BTE (Baytex Energy Corp.)
2. TSX:NVA (NuVista Energy Ltd.)

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Date

2025/06/27

Date Created

2022/05/27

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