2 Energy Stocks That Could Rise Further in Q3 2022

Description

Energy stocks declined 4.9% collectively over the last five days to reduce their year-to-date gains to only 32.94%. The sector's decelerating momentum coincided with the decline in oil prices. However, **Vermilion Energy** (TSX:VET)(NYSE:VET) and **Crew Energy** (TSX:CR) haven't lost steam amid recession fears.

The investment returns of the two price performers thus far in 2022 are 64.45% and 60.84%, respectively. Both could still rise further in Q3 2022 because of tight supply and strong demand.

Emphasis on free cash flow

Vermilion ranks among the top natural gas stocks not only in Canada but also in the United States. At $26.03 per share, the trailing one-year price return is 160.69%. The $4.3 billion diversified international energy company exploits light oil and liquids-rich natural gas conventional resource plays in North America.

In Australia and Europe, Vermilion explores and develops conventional natural gas and oil opportunities. The business model emphasizes free cash flow generation and returning capital to investors when economically warranted. Management said its free cash flow-oriented model seeks to create value for our shareholders while minimizing risk.

It added further that all the operating regions generate free cash flow with a project slate that delivers high margins, low decline rates, and strong capital efficiencies. In Q1 2022, cash flows from operating activities increased 186% to $341 million versus Q1 2021. Free cash flow climbed 287% year over year to $304 million.

Vermilion's total sales (petroleum and natural gas) increased 120% versus the same quarter last year, although net earnings fell 43% to $283.95 million compared to Q1 2021. According to management, it hedges to manage commodity price exposures and increase the stability of cash flows.

The hedge on individual commodity products (natural gas and oil production, natural gas volumes) is until the remainder of 2022. Meanwhile, Vermilion expects the two recent strategic acquisitions to strengthen its free cash flow profile further over the near and long terms.

Vermilion suspended quarterly dividend payments in 2020 but has reinstated them effective this month on the 15th. If the debt targets are achieved, management plans to increase shareholder returns through a combination of base dividend increases, special dividends, or share buybacks. The current dividend yield is 0.46%.

Asset-development plan in progress

Crew Energy operates exclusively in the world-class Montney play in northeast British Columbia. Despite the $1.37 million net loss in Q1 2022, investors didn't bail out on the $703.65 million growth-oriented natural gas weighted producer. Management is on track to achieve the goals in its two-year plan that was launched in 2020.

Total sales, cash provided by operating activities, and adjusted fund flows increased 53%, 81%, and 128%, respectively, versus Q1 2021. Dale Shwed, Crew's president and CEO, said, "Our results for the first quarter of 2022 are indicative of the significant progress achieved to date on our two-year asset development plan."

Management expects to realize a more than 20% increase production and an improvement in leverage metrics by year-end. If you invest today, Crew Energy trades at only $4.60 per share.

Upside potential

Vermilion Energy and Crew Energy are bona fide price performers. Based on market analysts' price forecasts, the former could climb 42% in 12 months, while Crew has a 66% upside potential.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:VET (Vermilion Energy)
2. TSX:CR (Crew Energy)
3. TSX:VET (Vermilion Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

8. Yahoo CA

PP NOTIFY USER

1. cliew
2. kduncombe

Category

1. Energy Stocks
2. Investing

Date
2025/07/30
Date Created
2022/07/16
Author
cliew