



## Cardinal Energy (TSX:CJ): What to Expect from Q2 2022 Earnings

### Description

TSX small-cap energy stocks have been on fire this year, notably beating out their large-cap counterparts. Shares of **Cardinal Energy** ([TSX:CJ](#)), a \$1.2 billion Calgary-based oil and gas company, are up 80% this year. In comparison, TSX energy stocks, on average, are up about 30%. And CJ shares may be driven higher based on strong Q2 numbers and potential dividend hikes.

### What's next for Cardinal Energy stock?

Cardinal Energy is one of the top value creators in the sector. Since the pandemic lows, CJ stock has returned a jaw-dropping 2,400%, beating out peers by a wide margin.

Apart from significant earnings growth, CJ stock was driven higher by its upgraded balance sheet. Its total debt has halved since the pandemic, which allowed it to reinstate shareholder dividends. In Q2 2022, Cardinal Energy resumed its monthly dividend of \$0.05 per share, implying an annual yield of 7.8%!

That's far higher than what some of the top energy companies currently pay. But, more importantly, these generous dividends highlight management's confidence in the company's balance sheet and future earnings.

### Cardinal Energy Q2 2022 earnings

Cardinal Energy will report its Q2 2022 earnings on July 28 aftermarket. It's now expected that the energy sector as a whole will see blockbuster earnings growth for the second quarter. While crude oil prices hovered around \$120 a barrel for the most part in Q2, [energy-producing](#) companies will likely see handsome free cash flow growth and margin expansion.

In the case of Cardinal Energy, analysts expect it to report \$0.4 per share earnings for the quarter that ended on June 30, 2022. This will be a sharp increase from its earnings of \$0.06 per share in the year-ago quarter.

During the first quarter, Cardinal Energy reported an average realized WTI crude oil price of US\$94 a barrel. At this price, the company saw steep free cash flow growth, repaid debt, and reinstated dividends. Worth noting is that average realized oil prices will likely be much higher during Q2 2022. So, investors can expect even higher earnings growth and more deleveraging.

CJ's management team has already announced that a large chunk of the company's free cash will be allotted to shareholder dividends once it achieves the net debt target. Given the massive windfall free cash flow growth, its deleveraging efforts could gain steam, and the target could be achieved even faster. Thus, more dividend hikes could be in the cards.

## Bottom line

Lower oil prices certainly pose a risk to the sector. However, I don't see oil prices falling significantly below \$90. Conversely, production and supply constraints should send oil prices up even higher.

Cardinal Energy stock will likely be driven back up to its late-May highs and beyond. Its superior dividend profile, strong earnings growth prospects, and healthy balance sheet are poised to create meaningful shareholder value.

### CATEGORY

1. Dividend Stocks
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