



2 Oil Stocks With Mind-Blowing Gains in 1 Year Could Still Rise

Description

Energy stocks regained momentum last week following the rally of oil prices. The sector's year-to-date gain of 42.44% is higher than its 41.8% annualized price return in 2021. The **TSX's** Top 100 stocks so far this year are mostly [energy constituents](#). However, two oil stocks should be on investors' radars, if not their buy lists.

Baytex Energy ([TSX:BTE](#))(NYSE:BTE) and **Athabasca Oil** ([TSX:ATH](#)) have delivered mind-blowing gains in one year. If oil demand accelerates this winter, both stocks could climb further. Baytex trades at \$6.55 per share, or a trailing one-year price return of 200.46%. Athabasca Oil's current share price of \$2.40 is 208% higher from a year ago.

Record quarterly free cash flow

Profits of oil companies are soaring in 2022 due to elevated commodity prices. In the second quarter (Q2) 2022, Baytex Energy generated \$240 million in free cash flow (FCF), which is 118% more than in Q1 2021. For the first half of the year (six months ended June 30, 2022), FCF increased 100% to \$366.63 million. Meanwhile, net income for the quarter grew 218% year over year to \$180.97 million.

This \$3.66 billion oil and gas company operates in the Western Canadian Sedimentary Basin and in Texas. It sells light oil and condensate, heavy oil, natural gas liquids, and natural gas. Ed LaFehr, President and chief executive officer (CEO) of Baytex, said the launching of the share-buyback program in May 2022 was due to the strong balance sheet. Also, management desires to offer direct shareholder returns.

LaFehr added that if Baytex hits its \$800 million net debt target in late 2022 or early 2023, the plan is to increase direct shareholder returns. Management will allocate 50% of FCF to the share-buyback program. Furthermore, he believes that Baytex shares are undervalued in relation to the current operations.

Management expects to generate approximately \$700 million (\$1.25 per basic share) of FCF this year, notwithstanding the inflationary pressures. The company will not deviate from its focus on maintaining

capital discipline and driving meaningful FCF.

Record-setting performance

Athabasca Oil has rewarded investors with a considerable windfall in 12 months. Had you invested \$10,000 a year ago, your money would be worth \$30,769.23 today. Market analysts covering the stock have a 12-month average price target of \$3.19, or a 33% appreciation from its current share price.

This \$1.4 billion company explores and develops light and thermal oil resource plays in the Western Canadian Sedimentary Basin. In Q2 2022, Athabasca reported a record \$85 million in quarterly adjusted funds flow. Its net income reached \$47.12 million compared to the \$13.94 million net loss in the same quarter last year.

Furthermore, cash flow from operating activities ballooned 89% year over year to \$68.53 million. Because of the strong operational and financial performance plus a favourable commodity price environment, management was able to meet 75% of its debt-reduction target.

Capital gains

Investors chasing after massive returns from the energy sector should consider taking positions in Baytex Energy or Athabasca Oil. They pay \$0 dividends, but the capital gains are fantastic.

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