2 Hot Canadian Energy Stocks to Buy Amid the Ongoing Correction

Description

Canadian stock market trends are witnessing an apparent reversal in August. On the one hand, some tech stocks have started recovering after consistently falling for months. On the other hand, most oil stocks are witnessing a sharp correction after posting solid gains in the first half of the year.

A decline in oil prices could be one of the reasons driving the recent losses in energy stocks. Nonetheless, this seemingly temporary correction in the energy sector could be an opportunity for long-term investors to buy some quality oil stocks at a bargain.

In this article, I'll talk about two of the best Canadian energy stocks you can buy amid the ongoing correction that have the potential to yield high returns on your investments.

MEG Energy stock

MEG Energy (TSX:MEG) is a Canadian energy company with a market cap of about $4.9 billion. While its stock has lost 9% of its value in August so far, it still trades with more than 37% year-to-date gains at $16.06 per share. MEG focuses on transporting and selling its thermal oil production to refineries across the globe.

In recent years, MEG Energy has increased its focus on debt reduction. In the first half of 2022, the company used more than $1 billion of its free cash flow to repay debt and repurchase its shares — reflecting its improving financial position. Besides that, its recent financial growth trends also look impressive.

In the June quarter, MEG Energy registered a 55.7% YoY (year-over-year) positive growth in its total revenue to $1.6 billion, beating analysts' estimate of around $1.4 billion. As a result, its adjusted earnings for the quarter jumped by 227% from a year ago to $0.72 per share.

Street analysts expect its solid earnings growth trend to continue in the second half of the year as well. According to their estimates, MEG Energy could report earnings of $4.18 in 2022, showcasing massive growth over its adjusted earnings of $0.96 per share in 2021. These strong expectations could help drive its stock up in the coming months.

Whitecap Resources stock

Whitecap Resources (TSX:WCP) is also one of my favourite Canadian energy stocks to consider buying now. The shares of this Calgary-headquartered oil and gas company are currently trading with 17.2% year-to-date gains, outperforming the broader market, as the **TSX Composite** Index has fallen by 4.5% in 2022. WCP primarily focuses on new acquisitions in the energy sector and operating these petroleum and natural gas assets.

In the first half of 2022, Whitecap Resources's total revenue jumped by 144% YoY to $1.8 billion, as it continued to maintain strong operational momentum. With that, the energy firm's adjusted earnings in the first half saw enormous gains of around 889% YoY to $0.89 per share. In order to strengthen its balance sheet, Whitecap is continuing to reduce its debt. At the end of June, the company had $674 million in net debt — much lower than its target of $800 million. Despite these positive factors, WCP stock has fallen by more than 10% in August so far, making it look cheap.

In June, Whitecap Resources announced the acquisition of XTO Energy Canada in an all-cash transaction worth $1.9 billion. This acquisition is likely to help Whitecap increase its overall production and accelerate its financial growth further in the coming years, which should help its stock soar.

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