



## STEP Energy (TSX:STEP) Just Grew its Free Cash Flow by 3,347%

### Description

The idiom “make hay while the sun shines” applies in today’s stock market, specifically in the energy sector. The idiom is applicable to the stock market today, specifically in the energy sector.

Investors are taking advantage of the favourable circumstances of oil and gas companies in 2022. Because of elevated crude prices for most of the year, profits and free cash flows (FCFs) are soaring through the roof.

As of this writing, energy remains the top-performing sector on the TSX. The year-to-date gain is 40.22%, and you will hardly see a constituent in the red. Large-, medium-, and small-cap energy stocks are rewarding investors with fantastic returns and dividend increases.

Pipeline operators **Enbridge**, **TC Energy**, and **Pembina Pipeline** are top-of-mind choices because of their high dividend yields. However, many non-dividend payers have delivered far superior returns thus far in 2022. One energy stock that isn’t as popular as the industry giants but is a winning investment is **STEP Energy Services** ([TSX:STEP](#)).

The \$371.35 million oilfield services company blew investors away after reporting its second-quarter (Q2) 2022 financial and operating results. Its FCF climbed 3,347.7% to \$33.16 million versus Q2 2021. In the first half of 2022 (six months ended June 30, 2022), FCF grew 506.8% to \$49.34 million compared to the same period last year.

### Outsized returns

STEP Energy is relatively cheaper compared with top sector players. However, it continues to fly high and deliver outsized returns to investors. At only \$5.40 per share, the trailing one-year price return is 272.4%. Had you invested \$5,000 a year ago, your money would be worth \$18,620.69 today.

Also, the year-to-date gain is 235.4%. The money of people who invested the same amount on year-end 2021 has grown to \$16,770.99. Market analysts covering STEP are bullish and recommend a buy rating. Their 12-month average price target is \$10.04, or a return potential of 85.9%.

## Impressive turnaround

STEP's turnaround in 2022 is mighty impressive. The provider of modern equipment in North America's oil and gas equipment & services industry incurred a net loss of \$18.52 million in the first half of 2021. However, in the same period this year, net income reached \$47.24 million. The \$38.06 million net income in Q2 2022 represents 80.5% of the total year-to-date earnings.

According to management, its U.S. operations realized improved pricing due to the strong industry fundamentals. Utilization of service lines (coiled tubing and fracturing) also increased because of the industry-wide increase in activity. Management added, however, that rising inflation prevents the full realization of the pricing improvements.

## A step in the right direction

STEP Energy maintains a positive outlook and anticipates oil and natural gas prices to remain strong through the rest of 2022 and extend to 2023. While there's a risk of near-term volatility due to recession fears, management expects the fundamentals of the physical oil market to remain strong and constrained through next year.

Investors taking a position in this high-flying small-cap energy stock is a step in the right direction. STEP's impressive financial and operating results in Q2 2022 and the first half of 2022 reflect in the stock's performance. The potential astronomical capital gain can compensate for the absence of dividend payments.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:STEP (STEP Energy Services Ltd.)

### PARTNER-FEEDS

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

9. Yahoo CA

**PP NOTIFY USER**

1. cliew
2. kduncombe

**Category**

1. Energy Stocks
2. Investing

**Date**

2025/08/25

**Date Created**

2022/08/17

**Author**

cliew

default watermark

default watermark