



Is Now the Time to Sell These 3 TSX Energy Stocks?

Description

Oil prices retreated last week after U.S. Fed Chairman Jerome Powell vowed that the central bank would continue tightening until inflation was sufficiently under control. According to Standard Chartered, the oil ministers of the Organization of the Petroleum Exporting Countries Plus (OPEC+) lament the oil price volatility.

Understandably since, as the bank stressed, for OPEC+ members volatility means falling prices. Meanwhile, [energy stocks](#) remain in focus in the wake of weakening demand. The sector advanced 5% in the last five trading days, pushing its year-to-date gain to 50.8%. But if oil demand slackens, is it worth holding onto these three outperforming **TSX** energy stocks?

Oil bellwether

Suncor Energy ([TSX:SU](#))([NYSE:SU](#)) continues to beat the market year to date (+44.2%), although its safety record is under scrutiny. A worker at its Base Mine in Alberta died recently (the 13th fatality since 2014). Interim CEO Kris Smith took over the \$61 billion integrated oil company following the abrupt resignation of long-time chief Mark Little after the accident.

Smith said, "I am fully committed to doing everything necessary to build a better safety culture and improve performance so that everyone at Suncor goes home safely each and every day." Despite the negative news, investors should think twice about dropping Suncor Energy as management is delivering on its [strategy of growing shareholder return](#).

In Q2 2022, Suncor returned approximately \$3.2 billion, a record value, to shareholders through share repurchases (\$2.6 billion) and dividend payments (\$657 million). Once the company's debt is lowered to its target \$12 billion by the end of the year, it plans to increase the allocation of excess funds to share buybacks to 75%.

And while the higher than benchmark energy pricing has certainly helped boost net earnings for the quarter by 360% to \$3.9 billion, over the year-ago period, management points to improvements in its marketing and logistics capabilities to sustain higher margins. At the current share price of \$44.73, the

dividend yield is an attractive 4.23%.

Soaring free cash flow

Vermilion Energy ([TSX:VET](#))([NYSE:VET](#)) reinstated dividend payments in April 2022 after suspending them two years ago due to the oil price slump. On August 11, 2022, management announced a 33% increase to its quarterly cash dividend payable on October 17, 2022. The current share price is \$38.07 (+140.51% year to date), while the dividend yield is 0.92%.

Because of the favourable pricing environment, the free cash flow (FCF) of this \$6.3 billion international energy producer is soaring. In the first half of 2022, FCF increased 274% year over year to \$644.3 million. Like Suncor, based on its return of capital framework, Vermilion plans to increase the proportion of FCF returned to shareholders as debt levels decrease.

Top price performer

Athabasca Oil ([TSX:ATH](#)) is a top price performer in 2022. At only \$2.62 per share, the trailing one-year price return is 263.9%, while the year-to-date gain is 120.17%. Besides benefitting from the upside in commodity prices, the \$1.5 billion company boasts a low-decline, oil-weighted asset base (thermal and light oil).

Positive oil pricing undoubtedly contributed to the rise in net income to \$47.1 million in Q2 2022, compared with a \$13.9 million net loss in Q2 2021. Against the favourable oil pricing environment, Athabasca expects its higher production rates to contribute to long-term sustainable capital growth across its low decline, large resource asset base.

Notably, FCF, as of the first half of 2022, reached \$77.4 million, a 604% increase year over year. Athabasca is a non-dividend payer, although management plans to enhance shareholder returns by utilizing FCF and cash balances for share buybacks or dividends.

Don't sell

According to Deloitte, the oil and gas industry is in one of its healthiest periods and could hit its highest ever FCF (US\$1.4 trillion) in 2022. If you own Suncor, Vermilion or Athabasca, you may want to consider buying more shares, not selling.

CATEGORY

1. Energy Stocks
2. Investing

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2. NYSE:VET (Vermilion Energy)
3. TSX:ATH (Athabasca Oil Corporation)
4. TSX:SU (Suncor Energy Inc.)

5. TSX:VET (Vermilion Energy Inc.)

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