3 Top TSX Stocks That Seem Ready to Break Out

Description

While inflation and rate hikes have weighed on broader markets this year, some names have notably outperformed. Here are some of the TSX stocks that could continue to trade strong.

Cardinal Energy

A $1.2 billion **Cardinal Energy** (TSX:CJ) is one of the many names that have recently increased their shareholder payouts. It has upped its monthly dividend payment from $0.05 per share to $0.06 per share and will be paid on October 17. Given the incremental dividend, Cardinal stock now yields a handsome 9% annually, which is way higher than Canadian energy bigwigs.

Cardinal Energy stock has soared 85% so far this year. Its windfall free cash flows brought down its total debt, ultimately strengthening its balance sheet. For the second half of 2022, the company will likely see sizeable earnings growth and deleveraging, which will likely keep creating value for shareholders.

Energy stocks were some of the riskier names before the pandemic, mainly due to their debt piles. However, the last few quarters have brought in a very welcoming change for investors. Massive earnings growth, sound balance sheets, and stock rallies have made energy one of the favoured sectors.

In case of Cardinal Energy, it is trading at a free cash flow yield of 18%, marginally lower than average. If oil prices change their course, TSX energy names like Cardinal Energy will once again see a stellar rally.

Dollarama

Although **Dollarama** (TSX:DOL) stock is trading close to its record highs, it still offers handsomegrowth potential. It has returned nearly 28% this year, notably outperforming the **TSX Composite Index**.

In the last six months, Dollarama reported total revenues of $2.2 billion, representing 15% growth year over year. The value retailer might have witnessed increased foot traffic amid an inflationary environment that boosted its sales.

Moreover, the trend could continue in the second half of 2022, further improving its financials. Dollarama has seen appealing financial growth over the last several years. In turn, DOL stock has notably outperformed broader markets in both bear as well in bull markets.

If inflation remains firm, as it seems the likely probability, DOL stock could keep trading strong. Its decent financial growth prospects, favourable macro environment, and less-volatile stock make it an attractive bet in the current markets.

Vermilion Energy

Vermilion Energy (TSX:VET)(NYSE:VET) is one TSX energy stock that has outpaced peers by a huge margin. It has gained 110% this year compared to the 50% gain of the group. Notably, VET stock has dropped 15% in the last few weeks and could be an opportunity for long-term investors. The stock could race to those record levels soon if crude oil trades higher again.

Vermilion differentiates itself from peers because of its Europe exposure. It derives 30% of its earnings from Europe. Higher natural gas prices in the continent will likely boost Vermilion's earnings significantly in the next few quarters.

It is already seeing record free cash flow growth this year. This has led to massive deleveraging and dividend payments to shareholders. Plus, VET stock looks meaningfully undervalued at the moment. Higher energy prices could set the stock on fire again, pushing it beyond its recent highs.

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2. Stocks for Beginners

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2. TSX:CJ (Cardinal Energy Ltd.)
3. TSX:DOL (Dollarama Inc.)
4. TSX:VET (Vermilion Energy Inc.)

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