



## Top Under-\$10 TSX Energy Stocks That Offer Huge Growth Prospects

### Description

Small-cap TSX energy stocks have notably outperformed their large-cap peers this year. As depressed oil prices have weighed on them in the last few months, this could be a valuable opportunity to grab these small-cap names at attractive levels. They will likely see another steep rally soon when oil prices bounce back.

### Tamarack Valley Energy

Some small-cap energy names offer a combination of solid earnings-growth prospects and attractive valuation. **Tamarack Valley Energy** ([TSX:TVE](#)) is one of them. Though the stock has underperformed peers this year, it offers massive growth prospects for the long term.

And that's mainly because of its recently completed Deltastream Energy acquisition. With this deal, Tamarack notably increased its footprint in the Clearwater oil play, one of North America's most economical oil acreages. While many oil plays in the continent have a breakeven point around US\$40-US\$50 levels, the recent acquisition has it near US\$32 a barrel.

So, as oil prices seem ready to jump higher again, Tamarack will likely see much steeper earnings growth and margin expansion in the next few quarters. It should help the stock rally higher.

TVE stock currently trades at \$4 and has returned 50% since last year. It pays monthly dividends and yields a reasonable 3% at the moment.

### Surge Energy

**Surge Energy** ([TSX:SGY](#)) is an \$800 million oil and gas producer that has returned 140% since last year.

Experts believe that oil and gas are in a multi-year bull run that will drive record profits for producers. We saw energy commodities comfortably trading near US\$130 levels in the second quarter (Q2). As a

result, [TSX energy](#) companies saw jaw-dropping quarterly profits and free cash flow growth.

Surge Energy reported free cash flows of \$48 million this year. In the last year, the company posted a negative free cash flow. Higher production coupled with a strong price scenario notably boosted its earnings.

Surge started paying dividends in Q2 this year and is expected to pay \$0.42 per share this year. This indicates its balance sheet strength and earnings visibility. Apart from the earnings growth, Surge Energy's balance sheet has become much lighter, with a little debt and a strong liquidity position, thanks to its high free cash flows.

Moreover, SGY stock is trading at a free cash flow yield of 19% and looks appealing. It could trade much higher in the next few quarters if oil prices revive.

## Cardinal Energy

Another name that looks strong is **Cardinal Energy** ([TSX:CJ](#)). Even if the oil prices have been on a downtrend since June, Cardinal Energy increased its shareholder dividends by 20% this month. This suggests its earnings visibility and robust financial position.

Cardinal Energy stock now yields a juicy 9%, much higher than Canadian energy giants. Notably, besides dividends, Cardinal Energy will create shareholder value mainly through capital gain. Its strong earnings growth potential, given the strong price environment and higher production, should create meaningful shareholder value.

Despite its recent correction, CJ stock has returned 100% this year, outperforming TSX energy stocks at large. It is currently trading at \$7.9 and looks [attractively valued](#).

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:CJ (Cardinal Energy Ltd.)
2. TSX:SGY (Surge Energy Inc.)
3. TSX:TVE (Tamarack Valley Energy Ltd)

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