2 Potentially Explosive TSX Stocks to Buy in October 2022

Description

The **TSX Composite Index** is down by 14%, while the **S&P 500** has dropped 22% so far this year. Stocks at large still offer a gloomy outlook for the next few months, given record-high inflation and impending rate hikes. So, there are very few pockets of the market that look well placed for explosive growth. Here are two of them.

Cineplex

Cineplex (TSX:CGX) stock has declined 40% this year, notably underperforming broader markets. After years of decline and losses due to the pandemic, Cineplex now looks well-positioned for a steady recovery.

Pandemic-related restrictions have substantially waned, and people are flocking to the big movie screens this year. This has undoubtedly benefitted Canada's theatre chain giant Cineplex. In the last two years, amid the pandemic, Cineplex saw significant cash burn and billions of losses. However, the company reported total revenues of over $1 billion in the last 12 months, representing a massive 400% growth compared to the earlier 12 months.

Note that Cineplex is yet to see its bottom-line stabilizing. So, it might take a few more quarters of demand recovery and revenue growth to see sustained profitability. But the overall scenario on the financial growth front looks promising.

Another key driver for CGX stock is its long-pending settlement with Cineworld. If it receives the proposed $1.24 billion settlement from now-bankrupt Cineworld, CGX's balance sheet will be in much healthier shape. The Supreme Court awarded the settlement in damages to Cineplex after Cineworld walked out of its proposed takeover in mid-2020.

CGX stock is already trading at its multi-year lows, and the downside from its current levels looks limited. The expected strengthening of its balance sheet and financial recovery could help this stock move remarkably higher in the next few months.

Tamarack Valley Energy

For months, **Tamarack Valley Energy** (TSX:TVE) stock has been trading in a narrow range of around $4 apiece. However, considering its fundamental strength and crude oil's recent momentum, TVE stock could soon break above its typical range.

What matters most for energy producers is where their assets are located and what the production mix is comprised of. Tamarack produces 40% light oil, which receives premium pricing. Moreover, it recently closed the Deltastream Energy deal, which expanded its footprint in the Clearwater oil play. Clearwater is one of the most lucrative oil plays in North America, with a breakeven of WTI $32 a barrel.

Tamarack intends to produce around 77,000 barrels of oil per day next year. With oil prices close to triple-digits, Tamarack will likely see massive earnings and margin expansion for the next few quarters.

TVE reported free cash flows of $146 million in the last 12 months, which represents massive growth compared to the earlier 12 months. This trend could continue with higher production and high crude oil prices. Plus, the stock looks undervalued after its correction since June and seems ready to soar higher.

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