3 TSX Stocks that Doubled This Year: Can You Still Buy?

Description

Some growth names have halved, while some have doubled this year. Notably, most of the stocks that have outperformed this year belong to the once-disliked energy sector. Here are three TSX energy names that have returned more than 100% this year.

Precision Drilling

Along with energy exploration and production companies, an allied group of firms have also been on a roll this year. For example, oilfield services stock **Precision Drilling** (TSX:PD) has surged a remarkable 150% this year. That's even higher than top oil and gas producer stocks.

Energy investors suffered much lower returns for years before the pandemic. So, this energy rally has indeed brought on a vital respite for them.

For the third quarter, Precision Drilling reported a net income of $31 million against a loss of $38 million in the same period last year.

Precision Drilling is a $1.5 billion oilfield service company that has seen encouraging financial recovery in the last few quarters. As oil prices have stayed higher for longer, energy-producing companies have upped their production, ultimately driving more business opportunities for Precision Drilling. As a result, Precision upped its capital spending plan from $149 million to $165 million to cater to higher drilling needs.

The production ramp-up is expected to continue throughout North America next year as well. So, Precision Drilling will likely see remarkable earnings and margin expansion in 2023. As a result, balance sheet strengthening and shareholder value creation should follow.

Baytex Energy

A mid-cap energy producer **Baytex Energy** (TSX:BTE) has outperformed peers and returned 100%

this year. Its third-quarter earnings and oil price recovery have fueled its recent rally.

Baytex has increased its production from the Clearwater oil play, which increased its earnings and margins in the recent quarter. Clearwater holds some high-quality assets, with low breakeven prices and payback periods.

Baytex is expected to ramp up production in this area next year and has increased its capital spending plan. So, production growth at a time when oil prices are on the verge of breaking triple-digit levels will reap significant benefits for Baytex.

Notably, such growth does not seem to have baked in entirely in BTE stock yet. It is currently trading four times its earnings, way lower than peers. So, given its superior earnings growth prospects and discounted valuation, BTE will likely continue to outperform.

Surge Energy

Surge Energy (TSX:SGY) is a small-cap oil and gas producer that has returned 125% this year. Note that small- and mid-cap names outperformed their large-cap peers in this energy rally.

Surge Energy reported free cash flows of $103 million for the last 12 months, in comparison to negative free cash flow last year. Surge has excess cash even after allocating for higher capital spending, debt repayments, and shareholder returns.

It started paying dividends in Q2 and will pay annual dividends of $0.42 a share. That indicates a handsome dividend yield of 4.3%, in line with Canadian energy bigwigs. As oil and gas prices keep trading at elevated levels, Surge will likely create more shareholder value.

CATEGORY

1. Energy Stocks
2. Investing

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2. TSX:PD (Precision Drilling Corporation)
3. TSX:SGY (Surge Energy Inc.)

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