



You Can Still Ride the Wave of These 2 Red-Hot Momentum Stocks

Description

If 2022 were to end today, the [TSX energy sector](#) would have an annualized price return of 61.4%. The year-to-date gain is considerably higher than the sector's 41.8% overall return in 2021.

Despite the fluctuating [market movement](#) lately, the winning streaks of **Enerplus Corporation** ([TSX:ERF](#)) and **PrairieSky Royalty Ltd.** ([TSX:PSK](#)) continue. Given their strong upsides, you can still ride the wave of the two red-hot momentum stocks for substantial capital gains and sustainable dividends in 2023.

Hot and on fire

Enerplus Corporation is on fire and outperforming this year. At \$24.48 per share, current investors are up by a resounding 85.1% year-to-date gain. Also, the dividend yield is now 1.18% following the board-approved 10% dividend hike payable on December 15, 2022.

The \$5.6 billion independent exploration and production company develops high-quality assets in North America. Management focuses on organic growth opportunities and desires to deliver competitive returns for shareholders. Thus far in 2022, the financial results have been mighty impressive.

For the first three quarters in 2022, net income rose 211.8% and 914.5% year-over-year to US\$305.94 million and US\$583.59 million, respectively. Moreover, in the nine months that ended September 30, 2022, cash flow from operating activities climbed 166.7% year-over-year to US\$856.79 million.

Ian C. Dundas, President and CEO of Enerplus, said, "Our operating momentum continued through the third quarter with liquids production increasing 20% quarter-over-quarter and strong volumes expected through the end of the year." He adds that the company reduced net debt by 52.7% to US\$391 million because of the robust free cash flow.

Dundas said the initiatives to reduce debt further and return more capital to shareholders would continue in Q4 2022. Management expects volumes to remain strong during the quarter, notwithstanding the divestments or sale of its assets in Alberta and Saskatchewan. Total capital

spending for the year could reach US\$430 million.

Strong organic growth

This year is magnificent for PrairieSky Royalty investors. Besides the recent 100% increase in quarterly dividends, the royalty stock is up 60.9% year to date. At \$21.49 per share, the dividend offer is a juicy 4.42% yield. This \$5.1 billion company owns royalty lands and generates royalty production revenues from petroleum and natural gas producers.

Due to record-high leasing transactions and active drilling by third-party operators in 2022, management expects sustainable organic royalty production growth across its portfolio. In Q3 2022, the average oil royalty production volume increased 51% to 1,376 barrels per day over Q3 2021.

In the nine months that ended September 30, 2022, revenues jumped 137.6% to \$492.7 million versus the same period in 2021. Notably, net earnings rose 214.3% year over year to \$250.2 million. Andrew Phillips, PrairieSky's President and CEO, said the escalating drilling and field activity throughout 2022 should provide organic growth in royalty production volumes in Q4 2022 and into 2023.

Phillips adds that PrairieSky will maintain a low payout ratio and leave room for incremental dividend increases annually. Other goals include retiring debt over the next several quarters, maintaining balance sheet flexibility, and acquiring complementary royalty assets.

Winning stocks

Enerplus and PrairieSky are red-hot momentum stocks in 2022 and potential multi-baggers in 2023. You can take positions in one or both before the year ends to get real value for money.

CATEGORY

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