



2 TSX Energy Stocks That Could Double in 12 Months

Description

Often when looking for **TSX** stocks to buy, the best investments are those that are in unloved companies right before the love comes back. In today's investing environment, the top sector for finding value would have to be TSX energy stocks.

Since the bottom in March, some energy stocks have had a partial recovery. However, they've still lagged behind much of the TSX. This presents a significant opportunity as the world continues to progress through the pandemic and look to the other side.

When the pandemic hit, not only did economic slowdowns affect the consumption of oil greatly, but with so many people staying home and workplaces shut down, the drop-off in oil demand was unprecedented. That's part of why oil futures traded negative back in April.

The global oil markets will slowly continue to rebound as the economy continues to expand again. And although there is short-term uncertainty, in the medium term, we are sure to recover considerably.

So with that in mind, here are two of the top TSX energy stocks to consider buying today.

Top TSX energy stock

One of the top energy stocks on the TSX I would consider buying is **Suncor Energy Inc** ([TSX:SU](#))([NYSE:SU](#)).

Suncor, like every other energy producer, has been heavily impacted by the pandemic. However, the company has been much more robust than a lot of its peers.

The main reason for this is Suncor's integration. The company produces oil, has some of its own refineries, as well as more than 1,500 retail locations across Canada.

The midstream and retail assets are key as they help Suncor to offset the lost revenue from production.

As the stock is so resilient, many investors like its long-term prospects. In fact, many know Suncor as one of [Warren Buffett's](#) few **TSX** stocks.

Currently, the stock is down by just over 50% from its 52-week high. That's extremely cheap and offers investors a great entry point before the sector recovers. The stock also pays out a dividend, which currently yields roughly 3.85%.

Suncor is easily one of the top TSX energy stocks; investors should be wary, though, the stock still has a fair amount of risk in the short run, as does any energy company right now.

TSX income stock

Another safe way you could go is buying a royalty stock like **Freehold Royalties Ltd** ([TSX:FRU](#)).

Freehold is a safer way to invest in a TSX energy stock due to the composition of the company.

Freehold receives royalties from energy companies producing oil or natural gas on the land it owns. And as most of the risk of production is shifted to the producers, the stock is able to earn tonnes of free cash flow.

In most cases, when oil prices are being impacted, Freehold should be expected to remain resilient. However, due to the pandemic and the massive curtailment of oil production, the company temporarily lost a tonne of royalties.

Luckily for investors, however, the TSX energy stock is in great shape. Management trimmed the dividend as a precautionary measure, and its high margin business has held in strong.

It also helps that the company has just \$84 million in net debt compared to a market capitalization of \$505 million.

The main reason to buy Freehold, though, is that it's a top [dividend stock](#). At current prices, its dividend yields roughly 4.2%. And with production likely to return soon, many analysts believe a dividend hike could be in the company's near future.

Bottom line

Both these stocks, while some of the best long-term investments, have had their stock prices slashed considerably. This has created an excellent opportunity that could see investors potentially double their money over the next 12 months as the industry recovers.

There are other TSX energy stocks with even higher growth potential. However, for now, in current economic conditions, having some safety and reliability is most important, until the uncertainty starts to subside.

CATEGORY

1. Dividend Stocks

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2. TSX:FRU (Freehold Royalties Ltd.)
3. TSX:SU (Suncor Energy Inc.)

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