



## 1 Top TSX Stock to Buy This Earnings Season

### Description

Markets saw a stellar rally this year and could continue the momentum. While many believe that consumer stocks have a long way amid reopenings, I am incredibly bullish on some energy TSX stocks. That's mainly because crude oil and natural gas have seen a substantially steep jump lately relative to last year. So, energy companies will most likely exhibit a significant earnings boost in Q3 2021.

### The energy sector continues to impress investors.

Among some top energy names, I am more positive about **Tourmaline Oil** ([TSX:TOU](#)). The company's higher production, strong balance sheet, and favourable energy prices make a strong case for Tourmaline.

A \$14.5 billion oil and gas producer will report its Q3 2021 earnings on November 3. The stock is already up more than 100% this year. How the upcoming earnings drive its stock remains to be seen.

Natural gas, which generates a major portion of the company's revenues, more than doubled in Q3 2021 relative to last year. So, Tourmaline Oil could see a sizeable jump in its free cash flow. The management [expects](#) around \$1.6 billion of free cash flow this year and \$2.5 billion next year. That's an astounding growth from pennies in 2020.

Along with superior revenues, Tourmaline Oil's profit margins have been on the rise due to improved operational efficiencies over the last few quarters. Its engineering design improvements have boosted gross profit margin to 70% in the last quarter from a long-term average of 59%.

According to analyst consensus, Tourmaline Oil will report revenues of \$797 million in Q3 2021. This marks a 43% increase relative to Q3 2020. Its earnings will come at \$0.94 per share against \$0.02 per share in Q3 2020, according to estimates.

## Tourmaline Oil's dividend

It has been a wonderful year for Tourmaline Oil and its investors. Solid operational and financial growth effectively seeped into its market performance this year. Even after two dividend increases in 2021, Tourmaline was sitting with excess cash. So, a special dividend came in October 2021. Including the special dividend, this natural gas giant has paid a \$1.22-per-share dividend so far this year.

Interestingly, this dividend is quite safe, and investors can expect it to continue in the long term. Strong financial growth and robust liquidity could even allow Tourmaline another [special dividend](#) in the next few quarters. Apart from direct payouts to investors, special dividends indicate management's confidence in the company's future and financial strength.

Now, TOU stock has already doubled and is trading at multi-year highs. So, does it make sense to enter at these levels? Well, even if the stock is at peak, its price-to-earnings multiple is currently at 10.

Interestingly, a company growing fast financially and offering handsome dividends generally deserves a much higher valuation multiple. Tourmaline Oil stock looks discounted against peers as well as against its historical average.

## Bottom line

Higher-than-expected earnings and upbeat commentary could send Tourmaline Oil even higher next week. But not just for the short term, this gas titan is [an attractive long-term bet](#) considering its fundamentals and reopenings.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. TSX:TOU (Tourmaline Oil Corp.)

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**Date**

2025/08/21

**Date Created**

2021/10/26

**Author**

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