



TFSA Investors: Top Energy TSX Stocks to Buy This Year

Description

Many investors still skip the energy sector musing over their vertical drop in 2014 and in subsequent years. However, oil and gas stocks have started a fresh beginning after the epic pandemic crash in 2020.

The earnings growth and dividend hikes have been quite encouraging for energy investors in the last 12-18 months. If you have not invested in energy yet, consider the top TSX stocks in this article.

Brent crude oil breached US\$95 per barrel levels over the weekend and natural gas is at \$4.12 MMBtu. That represents a 42% and 50% increase in the last 12 months, respectively. Importantly, already rallying oil and gas prices have got another major impetus on the Russia-Ukraine developments last week.

While Canadian energy producers have their breakeven prices way lower than current crude oil prices, these levels could significantly boost their earnings for the next few quarters.

Notably, it would be prudent to invest in stocks through the Tax-Free Savings Account (TFSA). The capital growth and the dividend payments, which have been on the rise of late, would be tax-free in the TFSA.

Vermilion Energy

Vermilion Energy ([TSX:VET](#))([NYSE:VET](#)) stock has been one of the beasts among energy gainers. It is currently trading at its all-time high of \$22.3, soaring from \$2.80 levels in September 2020. That's a sizeable 700% gain in just 18-odd months.

In the last 12 months, the company [reported](#) a net income of \$746 million against a loss of \$1.5 billion in 2020. Like energy bigwigs, Vermilion could also report one of the best financial growth periods in 2021 when it reports Q4 earnings next month.

Vermilion is a \$3.6 billion energy company that has assets in North America, Europe, and Australia.

Vermilion has been repaying its debt aggressively, driven by [superior free cash flow](#) growth. Moreover, if the oil and gas prices continue to remain strong, Vermilion could enable dividend resumption in the next few quarters.

Tourmaline Oil

Tourmaline Oil ([TSX:TOU](#)) is the biggest natural gas producer in the country and the fifth-largest in North America. Thanks to rallying gas prices, it has seen a significant earnings expansion in the last 12 months. In turn, the stock has returned more than 105% in the same period.

Importantly, it's been raining dividends at Tourmaline of late. In the last six months, it increased dividends and also paid out special [dividends](#) on two occasions. The company is still sitting on excess cash, so another special dividend this year can't be ruled out.

This indicates management's confidence in its future earnings and a strong balance sheet position. Also, Tourmaline seems well placed for a potential downturn in energy prices in the short term.

Tourmaline's dividend profile, strong earnings growth potential, and discounted valuation make it an attractive bet for long-term investors.

Bottom line

You can contribute \$6,000 to your TFSA this year. You still have not missed the bus if you have been ignoring energy stocks so far. Energy TSX stocks still seem to have some steam left. As experts see crude oil beyond US\$100 a barrel, energy stocks could continue to trade strong in 2022.

CATEGORY

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3. TSX:VET (Vermilion Energy Inc.)

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