



Commodities Boom: 1 Top TSX Energy Stock to Buy Now

Description

This commodities boom has really been something else. A year or two ago, most investors would not have expected to see this kind of upward price pressure. Accordingly, the search for a top energy stock to buy right now is on.

However, Canada happens to have a wide array of options to choose from. Accordingly, picking the right energy stock can seem like a daunting task.

That said, I think **Parex Resources** ([TSX:PXT](#)), one of the leading energy producers in Canada, is a great choice. And that's not just for this company's [2.2% dividend yield](#).

Let's dive into why Parex could be the energy stock investors are looking for right now.

Strong fundamentals and growth

Parex Resources is a mid-sized oil-producing company that generates around 53,000 barrels per day in Columbia. This company enjoyed high profitability during 2020 when economies shut down due to the raging public health crisis. The focus of Parex's management team on profitability leading to a massive 365% jump in cash flow per share over the previous five years.

Indeed, from a fundamentals standpoint, there's a lot to like about how Parex is structured right now. Parex is an entirely debt-free company with \$378 million in cash. Thus, this company is in a position to keep returning cash to its shareholders, as it has been doing in the previous four years. Parex Resources has allocated more than \$640 million to retire 23% of the company's outstanding shares. Beyond dividend yield, this is a company that's returning capital to shareholders aggressively. I like that.

Interestingly, this oil company also enjoys the highest operating margins among all medium- to large-sized oil producers in Canada. Parex is also set to grow at an impressive rate in the upcoming years. It has managed to grow its production at a compounding rate of 9% for the previous five years. However, for the current year, Parex is expected to increase its production at a 12% rate.

Bottom line

The search for [value](#) amid the commodities sector is on. For investors looking at Parex, there's a lot to like about this value argument. The company trades at a rock-bottom multiple of less than nine times earnings. Compared to this company's projected cash flow prospects as well as its dividend and share-buyback program, there's a lot to like.

Overall, Parex checks many of the boxes I look for in an energy stock. This company is near the top of my watch list right now for a reason. Accordingly, I'd encourage investors to dive deeper into this energy stock for those seeking commodities exposure.

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