



## Top TSX Natural Gas Stocks to Buy in September 2022

### Description

The natural gas shortage has been a central theme in the global energy market this year. As a result, the second-most traded energy commodity has been up a notable 54% this year, beating crude oil.

Natural gas has been on a roll, driven by seasonally higher demand and power generators' shift away from coal and oil. At the same time, the pace of production growth is not keeping up with escalating demand. This means that consumers will likely continue to spend more to cook and heat their homes.

The good news is that, as an investor, you can capitalize on this trend by betting on natural gas producer stocks. **TSX** natural gas names have created a lot of value for shareholders since the pandemic. Here are two to consider.

### TSX natural gas stock #1

Canada's biggest natural gas producer **Tourmaline Oil** ([TSX:TOU](#)) has generously rewarded shareholders over the last few quarters. It has returned 90% in the last 12 months, notably beating peer TSX energy stocks.

Tourmaline intends to produce around 507,000 barrels of oil equivalent in 2022. It has top-quality assets in the Western Canadian Sedimentary basin and 75 years of drilling inventory. It derives almost 80% of its earnings from natural gas.

As natural gas prices have consistently remained high, Tourmaline and its shareholders will likely see a massive value creation. It expects free cash flows of \$3.6 billion this year, a significant jump from \$864 million in 2021.

This incremental cash has served a dual purpose. It has been allocated to debt repayments and shareholder returns. So, the company's balance sheet substantially improved, and shareholders have received generous dividends. In the last 12 months, it has paid a total dividend of \$4.3 per share, implying a juicy yield of ~6%.

The strong price environment will notably benefit [Canadian gas producers](#). As such, investors can expect further dividend hikes and higher share prices, at least for the next few quarters.

## TSX natural gas stock #2

**Birchcliff Energy** ([TSX:BIR](#)) is a \$3 billion Canadian natural gas producer. It derives 81% of its earnings from gas and the rest from liquids. The stock has returned a handsome 75% in the last 12 months, falling short of Tourmaline but comfortably beating peer Canadian energy bigwigs.

Energy investors overlooked oil and gas stocks mainly because of their large debt piles and associated risks. However, since the pandemic, their declining debt and strengthened balance sheets have become some of the vital characteristics that are attracting investors back.

This is true of Birchcliff. Driven by its stellar free cash flow growth, the company expects to become debt-free next year. Once it reaches a debt-free status, it will likely allocate a large portion of its cash towards [shareholder dividends](#). So, even if it's currently paying small dividends (0.40%), investors can expect a multifold rise in the next year.

## Conclusion

Although the crude oil drop has weighed on some energy names, TSX stocks that have exposure to natural gas have remained relatively resilient. It makes sense to bet on these gas producer names, when considering their earnings growth potential and appealing dividends.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### TICKERS GLOBAL

1. TSX:BIR (Birchcliff Energy Ltd.)
2. TSX:TOU (Tourmaline Oil Corp.)

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vinitkularni20

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