



## 2 Top TSX Energy Stocks to Buy Right Now

### Description

Energy stocks have been the one positive **TSX** sector in 2022. Given the current market dynamics, that could continue going forward. This week, we got word that OPEC+ (Organization of Petroleum Export Countries) agreed to [cut 2 million barrels of oil per day](#) of production. That cuts about 2% of global oil production.

This further adds to the thesis that energy supply factors are very tight. Energy demand has been pretty resilient through past recessions. All this means [oil](#) and gas prices are very likely to remain elevated, especially compared to the past several years.

That is very good news for TSX energy stocks. These stocks are attractive. They are [undervalued](#) and generating tonnes of cash. Tangible shareholder returns (dividends and share buybacks) are rising and balance sheets are fast-improving.

Two TSX energy stocks that look particularly interesting right now are **Suncor Energy** ([TSX:SU](#))([NYSE:SU](#)) and **Tourmaline Oil** ([TSX:TOU](#)).

### Suncor Energy: A turnaround story in the making

Suncor Energy stock is up 39.7% in 2022, but it has still underperformed the **S&P/TSX Capped Energy Index** by around seven percentage points. Recently, that differential has been narrowing. Activist investor Elliott Management has been pushing the company to improve operational standards and unlock shareholder value.

So far, it looks like progress is being made. The company just announced a move to divest its renewable power assets to **Canadian Utilities** for an attractive \$730 million. This should go to help Suncor hit its \$9 billion debt target earlier than expected.

Just last quarter, Suncor generated record adjusted funds from operation of \$5.3 billion. The company had the benefit of high energy prices and great refining margins. It returned \$3.2 billion of cash back to shareholders. Specifically, 80% was share buybacks and 20% [dividends](#).

Operational and financial fundamentals continue to improve, and shareholders could benefit from further large-scale shareholder returns and valuation upside. Despite being a large-cap TSX energy stock, it is cheap trading for only 6.9 times earnings. If you want a turnaround stock that pays a nice 4.25% dividend while you wait, Suncor is a great stock to buy today.

## Tourmaline: A world-class energy stock

Tourmaline Oil is the TSX stock you buy if you just want a best-in-class energy business to buy and hold for the longer term. Rafi Tahmazian, a money manager with Canoe Financial, recently called Tourmaline and **Canadian Natural Resources** some of “the best companies in the world.” He even went as far as to compare them with the likes of **Apple**.

Why? Tourmaline has very deep, long-life natural gas and liquids reserves. It doesn't need to spend much more to extract more. Consequently, it can modestly increase production by 5% a year, with very little increase to cost. Likewise, it has access to some of the best priced energy markets in North America.

Tourmaline can earn a huge amount of excess cash on the energy it produces. It has zero net debt, so any spare cash is being sent right back to shareholders. This year, Tourmaline has already delivered three special dividends worth \$4.75 per share (a 6% yield).

It recently raised its free cash flow outlook, so chances are very good investors can look forward to more special dividends. Tourmaline stock isn't the cheapest energy stock and it has a low 1.17% base dividend yield. But, energy investors looking for a low-risk, high-reward investment proposition should definitely put this stock on their radar.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)
3. TSX:TOU (Tourmaline Oil Corp.)

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