3 Best Bets for Investing in TSX Energy Stocks

Description

Higher oil and gas prices have notably benefited TSX energy stocks since the pandemic. Canadian oil and gas names have returned 70% this year, while broader markets have dropped 8%. Going forward, stocks with substantial balance sheet strength and discounted valuations will outperform.

Canadian Natural Resources

Canada's biggest oil company by market cap, **Canadian Natural Resources** (TSX:CNQ) has been on a roll this year. It has rewarded shareholders with decent dividends in addition to generous capital gains. It's returned 60% this year and 350% since the pandemic.

Strong operational execution and a higher price environment remarkably boosted its free cash flows this year. This excess cash was used to repay debt, ultimately strengthening its balance sheet. CNQ will likely use a higher portion of its cash flows for shareholder returns over the next few quarters. So, investors can expect further dividend hikes and higher stock price movement due to aggressive buybacks.

Canadian Natural announced a 13% increase to its quarterly dividend last week. It will now pay a dividend of $0.85 per share quarterly, implying an annualized yield of 4%. A dividend hike indicates management's confidence in the company's future earnings and underlines balance sheet strength. Note that CNQ has increased its dividends for the last 23 consecutive years.

Baytex Energy

Baytex Energy (TSX:BTE) delivered solid third-quarter results last week. The numbers highlighted that the stock could have a significant run-up left despite a steep rise this year. Notably, BTE stock has returned 95% this year, outperforming peer TSX energy stocks.

Baytex came out with solid operational results, mainly from its Clearwater oil play last quarter. Clearwater is one of the most lucrative oil plays on the continent. Management has upped its capital spending plan for Q4 2022, which will increase production. Higher production at a time when oil prices are close to triple-digit levels should fuel massive earnings growth and drive impressive shareholder returns for BTE.

Moreover, BTE stock looks attractively valued at four times its earnings and cash flows. That's way lower than the industry average. Plus, Baytex is expected to see higher free cash flow growth next year as well. So, the stock should soon experience valuation expansion and will catch up to the peer average.

Cenovus Energy

Deleveraging has been the theme across the TSX energy sector since the pandemic. And **Cenovus Energy** (TSX:CVE) has seen some of the biggest net debt reduction this year. Its net debt recently fell to $5.3 billion from $11 billion in Q3 2021.

Apart from the balance sheet strength, Cenovus has high-quality assets including its Christina Lake and Foster Creek projects, which allow financial growth, even in a depressed price environment. So, it will likely see stellar free cash flow growth for the next few quarters amid higher oil prices.

CVE stock has returned 100% this year and is still going strong. It has recently upped its share buyback plan, which will likely limit the stock's downside to some extent. The company offers attractive dividend growth prospects, given its excess cash and net debt position. Though the stock is trading at eight-year high levels, it still offers a decent upside, thanks to high oil prices and its earnings growth potential.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. TSX:BTE (Baytex Energy Corp.)
2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:CVE (Cenovus Energy Inc.)

PARTNER-FEEDS

1. Business Insider
2. Flipboard
3. Koyfin
4. Msn
5. Newscred
6. Quote Media
7. Sharewise
8. Smart News
9. Yahoo CA

PP NOTIFY USER

1. agraff
2. vinitkularni20

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/15
Date Created
2022/11/09
Author
vinitkularni20