Dividend Seekers: Which of These 3 TSX Energy Stocks Is a Better Buy?

Description

TSX energy stocks have dominated equity markets, returning more than 60% this year. They have created massive shareholder value through both stock appreciation and dividends. While oil and gas names were some of the riskiest plays a few years back, they have indeed turned into some of the investor favourites.

Tourmaline Oil

It's been raining dividends at **Tourmaline Oil** (TSX:TOU). Canada's largest natural gas producer saw massive free cash flow growth in the last few quarters. And TOU was among the very few that chose to reward shareholders via special dividends.

So far in 2022, Tourmaline has paid a total dividend of $7.9 per share, implying a dividend yield of 10%. That's way higher than Canadian energy bigwigs. Apart from dividends, TOU stock has soared 110% so far, bringing double delight to its shareholders.

Interestingly, Tourmaline is well placed to deliver handsome growth next year as well, largely due to its higher production and sky-high gas prices. Plus, it has become substantially mightier on the balance sheet front this year compared to the pre-pandemic period. Its superior free cash flow growth drove massive deleveraging, which created substantial shareholder value.

Enbridge

Midstream giant **Enbridge** (TSX:ENB) is a relatively stable name in the Canadian energy space. ENB stock does not display a strong correlation with oil prices as upstream energy stocks do. As a result, it is much less volatile and outperforms when oil and gas names witness large swings.

Enbridge stands tall because of its superior dividend yield of 6.2%. It has a long payment history and has raised shareholder dividends for the last 27 straight years. Its long-term, fixed-fee contracts enable stable earnings, ultimately driving such consistently growing dividends.

Even if oil prices fall next year, ENB will likely grow slowly but steadily and deliver decent dividend growth. One might not see significant capital appreciation in the short term, but Enbridge's dividend should provide immense stability.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ) is the country's biggest energy-producing company by market cap. It has returned 65% this year, which is in line with peer TSX energy stocks.

CNQ will pay a total dividend of $4.6 per share this year, including specials, implying a juicy yield of 6%. Besides dividends, CNQ has been aggressively buying back its own shares to return capital to shareholders. This also conveys that CNQ shares might be undervalued. Thanks to its windfall cash flows, CNQ has enough cash to boost capital expenditure, repay debt, issue higher dividends, and share repurchases.

CNQ looks well placed to deliver value based on its fairly valued stock and improving balance sheet. Its scale and operational efficiency will likely bode well for business growth in the long term.

Conclusion

All three offer handsome dividends and look well positioned for 2023 amid higher energy prices. So, which could be a better buy?

I think CNQ looks better and will likely outperform in the longer term based on total returns. It has increased dividends for the last 23 consecutive years and will likely keep the growth streak amid lower oil prices as well. CNQ proved its character when it kept raising shareholder payouts during the pandemic when peers suspended dividends.

That does not make the other two unattractive. Tourmaline could see handsome growth next year, as gas prices are expected to remain elevated. If your risk appetite is relatively lower, ENB seems a smart bet due to its less-volatile stock and stellar dividends.

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2. TSX:ENB (Enbridge Inc.)
3. TSX:TOU (Tourmaline Oil Corp.)

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