



Should You Be Buying Liquefied Natural Gas Stocks Right Now?

Description

Those who know me and have been following me for a while know how bullish I have been on energy stocks. Post-pandemic, when the market re-opened, energy demand and consumption increased. However, with economic activity likely to slow from here, liquefied natural gas stocks, and their crude oil brethren, have taken a breather.

This isn't bad at all, and smart investors know this correction can bode well for long-term returns. Thus, for those looking to add energy exposure, **Tourmaline Oil** ([TSX:TOU](#)) should be your first pick.

Here's why.

Natural gas stocks are more essential than ever

Energy is an evergreen sector. We all need to power our homes and businesses, and without energy, the economy would simply not run. For those looking at liquefied natural gas (LNG) stocks, the importance of this sector has been highlighted via geopolitics this year.

The Russian invasion of Ukraine, and the subsequent sanctions from the U.S. and E.U., have increased the need for non-Russian LNG on the market. Considering the stranglehold Russia has on Europe with respect to gas supplies, North American and European LNG producers have seen demand skyrocket. In order for Europe to wean off of Russian gas, companies like Tourmaline will need to fill the gap.

The largest natural gas producer in Canada, Tourmaline's value is inherent in its reserves and production capacity. As LNG becomes more and more valuable, TOU stock's upside should increase over well. Indeed, as far as stocks with geopolitical tailwinds are concerned, Tourmaline is among the key winners from all this turmoil.

Getting to the numbers

Tourmaline investors have had many reasons to cheer the company's recent third-quarter earnings release. That's because, alongside reporting cash flow growth of 38% year over year to more than \$1 billion, the company raised its dividend substantially.

Tourmaline raised its [dividend](#) distribution by 11% and announced a special dividend of \$2.25 for existing shareholders. That amounts to a dividend yield of approximately 10%. Thus, for those looking at an energy stock that's redistributing capital to shareholders, Tourmaline certainly fits the bill.

The company is able to support this dividend hike easily given its surging free cash flows. Should the price of natural gas continue higher globally, Tourmaline could continue to provide such special dividends moving forward. Thus, from a total-return perspective, this is a stock I think is worth buying at these levels.

The bottom line is that Tourmaline has indicated it will return 50-90% of cash flows to investors over time. Thus, as a long-term play for investors looking to recoup their initial investment, TOU stock stands heads and shoulders above most of its peers right now.

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