3 Top TSX Energy Stocks to Buy in December 2022

Description

TSX energy stocks look to be very well positioned going into 2023. Not only are many energy stocks cheap, but they are gushing a lot of spare cash.

Given the current global energy crisis, many of these stocks should benefit from high pricing and stable demand. If you are looking for some winners to buy in December, here are three top TSX energy stocks to buy today.

A large-cap energy stock

If you want an oil stock to tuck away and forget about, **Canadian Natural Resources** (TSX:CNQ) should be at the top of your list. With over 1.3 million barrels of oil equivalent (BOE) in production, not only is it Canada's largest energy producer, but it is one of the most profitable as well.

After quickly paying down nearly $9 billion of debt in 2022, CNQ has a very good balance sheet. Consequently, it is positioned to delivered 50% or more of its excess cash produced back to shareholders in 2022. It already raised its dividend twice in 2022 and paid a $1.50 per share special dividend. It pays a 4.2% dividend yield right now.

While CNQ is not the cheapest energy stock, it is one of the highest-quality and most consistent operators. If you have a longer-term investment horizon, often buying best-in-class stocks like CNQ pays off.

A mid-cap energy stock

With a market cap of $12 billion, **ARC Resources** (TSX:ARX) is an attractive stock in the mid-cap energy segment. It produces around 340,000 BOE of natural gas, condensate, and oil per day. ARC has great assets with long-term reserves. It also sits with a very conservative balance sheet.

While ARC is not a flashy energy stock, it has delivered a strong 66% return in 2022. Despite that, it remains very cheap with a price-to-earnings ratio (P/E) of 5.6.

ARC has been taking advantage of this discount by buying back a tonne of stock. Since September 2021, it has bought back 13% of its outstanding shares. It has also increased its dividend twice this year. It yields a 3% dividend right now.

A small-cap oil stock

Tamarack Valley Resources (TSX:TVE) has a market cap of $2.7 billion. This stock is a bit higher risk, but it also has higher reward potential. It produces over 43,000 BOE per day. Its stock is up 28% this year. While it has underperformed other energy peers, there are reasons to be optimistic.

Firstly, it is very cheap with a P/E of 4.8 and a price-to-free cash flow of only five. It trades with a near 30% free cash flow yield. It pays a nice 2.95% dividend that is distributed out monthly. It has raised its base dividend twice this year.

Secondly, this energy stock operates in some of the most efficient and profitable areas in Canada. It just made a fairly price acquisition, which somewhat deferred its debt-reduction targets. However, it opens up several opportunities to grow its production inventory.

If this company remains disciplined, it should be able to pay down debt quickly and continue returning significant cash back to shareholders. This may take some time, but this energy stock could substantially reward shareholders in 2023.

CATEGORY

1. Energy Stocks
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TICKERS GLOBAL

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2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:TVE (Tamarack Valley Energy Ltd)

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