



Hot Stocks in 2023: The Top Energy Investments for Total Returns

Description

Most industry experts expect another [bull run](#) by energy stocks in 2023. The TSX's energy sector beat the broader market and delivered enormous gains in the last two years. The same experts also believe investors will chase after total returns this year rather than share price gains.

If total return is indeed the priority, **Freehold Royalties** ([TSX:FRU](#)), **Keyera** ([TSX:KEY](#)), and **Gibson Energy** ([TSX:GEI](#)) should be among the top [energy investments](#) this year. All three energy stocks were winning investments in 2022 but not high flyers. However, if the dividend is the primary consideration, their yields are more than 6%.

Oil & gas royalty company

Freehold Royalties own vast royalty lands and mineral titles in North America. This \$2.24 billion dividend-paying oil and gas royalty company spends little or none for capital costs to drill, as it derives royalty income from more than 350 industry operators in Canada and the United States. At only \$14.86 per share, you can feast on its 6.82% dividend.

According to management, the drilling activities in the third quarter (Q3) of 2022 were one of the most active quarters in Freehold's history. The 304 gross wells drilled on the royalty lands represent a 45% increase from Q3 2021. For the first nine months of 2022, total gross wells drilled increased 103.7% year over year to 764. The significant increases were due to the recovery of commodity prices and recent U.S. acquisitions.

The net income after three quarters also rose 312% year over year to \$168.4 million because of higher commodity pricing. Freehold should have no problem sustaining the dividend payouts. The cash flows from operations of \$244.67 million during the same period were 139% higher than a year ago.

Critical oil & gas midstream services

Keyera operates in North America's oil & gas midstream industry but is not a driller or explorer. This

\$6.62 billion energy infrastructure company gathers, processes, transports, stores and markets energy. The current share price is \$28.89, while the dividend yield is 6.49%. Like Freehold Royalties, the dividend payout is monthly.

In the nine months that ended September 30, 2022, cash flow from operating activities jumped 62.4% year over year to \$790.91 million. Keyera's crown jewel, Key Access Pipeline System (KAPS), is 90% complete and will be operational by the end of Q1 2023. The natural gas liquids (NGL) and condensate system will increase the take-or-pay cash flows of the midstream business.

Bright long-term growth outlook

Gibson Energy is equally attractive at \$23.13 per share and for its juicy 6.26% dividend yield. The assets of this \$3.33 billion liquids infrastructure company include pipelines, oil storage facilities, and a refinery. After three quarters in 2022, cash flow from operating activities reached \$528.25 million, or 147.3% higher than one year ago.

Its president and chief executive officer Steve Spaulding said advance discussions with several customers to sanction additional infrastructure opportunities are ongoing. Since Gibson is also fully funded for all sanctioned capital, management expects continued growth of its long-term, stable infrastructure cash flows.

Cash in a recession

Freehold Royalties, Keyera, and Gibson Energy can provide Canadian investors with more cash in 2023 should a recession kick in.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FRU (Freehold Royalties Ltd.)
2. TSX:GEI (Gibson Energy Inc.)
3. TSX:KEY (Keyera Corp.)

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