2 Sub-$3 TSX Energy Stocks I'd Buy in 2023

Description

Most Canadian stocks have started 2023 on a strong note, as the **TSX Composite Index** has inched up by 6.4% in January so far after sliding by 8.7% last year. While the ongoing uncertainties about global economic prospects are still limiting the energy sector gains on the Toronto Stock Exchange, I expect some cheap energy stocks with consistently improving growth prospects to continue outperforming the broader market by a wide margin in 2023 and beyond.

In this article, I'll highlight two cheap TSX energy stocks I find worth buying right now to hold for the long term. Interestingly, both these oil stocks currently trade below $3 per share.

Africa Oil stock

Africa Oil (TSX:AOI) is a Vancouver-based oil and gas production company with a market cap of $1.3 billion. Besides South America's Guyana, the company's prime assets are located in African countries, including Nigeria and Kenya. After delivering an outstanding 120% positive returns to shareholders the last two years, AOI stock currently trades at $2.72 with 9.2% gains in 2023.

While Africa Oil is yet to report its final 2022 financial results, it announced largely positive preliminary production results last week, which remained at the mid-point of its 2022 guidance range. By the end of the first quarter of 2023, the company expects to commence the appraisal drilling program on the Venus light oil and associated gas discovery.

Moreover, Africa Oil's balance sheet has strengthened in the last couple of years thanks to its management's efforts to achieve a debt-free balance sheet. In addition, the company has also increased its focus on acquisition and merger opportunities in Africa. Given these positive growth-oriented factors, this TSX energy stock could be worth buying today to hold for the long term.

Athabasca Oil stock

Athabasca Oil (TSX:ATH) could be another attractive, sub-$3 TSX energy stock to consider in 2023.

This Calgary-headquartered liquids-weighted intermediate oil production firm currently has a market cap of $1.4 billion. Its stock currently trades at $2.45 with 1.7% gains in January after more than doubling in value last year.

In the first three quarters of 2022, Athabasca Oil's total revenue rose by 68.8% YoY (year over year) to $1.2 billion with the help of its consistently rising production. As a result, its adjusted earnings during the same period jumped 69.2% from a year ago to $0.22 per share.

At the end of the September quarter, Athabasca remained on track to exceed its raised annual production guidance, helped by the better-than-expected performance of its key assets. While the oil firm expects its 2023 production levels to remain nearly flat on a YoY basis, its production rate is likely to accelerate further in 2024 as its longer-cycle projects come on-stream that year. Overall, Athabasca Oil's consistently improving cash flow, strengthening balance sheet, and growing production rate make it an amazing TSX energy stock to buy now.

Bottom line

Clearly, these two under-$3 energy stocks look attractive based on their improving fundamentals and have the potential to yield outstanding returns on your investments if you buy them now and hold them for at least the next five years. Nonetheless, you must not forget that these cheap TSX stocks are highly volatile. That's why you should avoid pouring a large sum of money into just two cheap stocks and try to diversify your portfolio instead.

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