3 Top Energy Stocks to Buy Before the End of April

Description

Oil keeps rallying, recently hitting its highest price since October 2018, and there are signs of further gains ahead as supply tightens. While this will be a boon for Canada's beaten-down energy patch, it has yet to trigger a surge in investment, and many energy stocks have lagged behind oil's recent gains. The North American benchmark West Texas Intermediate (WTI) is up by whopping 47% since the start of 2019, yet many Canadian energy stocks have failed to perform as strongly as oil.

While many companies have rallied sharply in recent days, there are signs that there is further upside for the energy patch. This makes now the time for investors to consider buying these three quality names.

Crescent Point Energy (TSX:CPG)(NYSE:CPG)

Beaten-down Crescent Point soared by 36% and is poised to surge higher, as its strategic plan aimed at boosting profitability and unlocking value gains momentum. During 2018, it disposed of $355 million of non-core assets, allowing it to reduce long-term debt to $4.3 billion by the end of the year. Crescent Point finished the year with considerable liquidity totalling $1.6 billion in a combination of cash and unutilized credit facilities. That means it is well positioned to continue funding the development of its core assets.

By the end of 2018, Crescent Point had boosted its proven and probable reserves by 10% year over year to 988 million net barrels of oil equivalent with a net asset value (NAV) of $13.38 per share before tax. This is more than double the upstream oil producer's current market value and highlights the considerable potential available to investors. It is likely that the NAV of Crescent Point's oil reserves will expand because that value was determined using an assumed WTI price of US$55 per barrel, which is US$10 lower than the current market value.

As crude moves higher, boosting Crescent Point's earnings and profitability, its stock will continue to soar.

Whitecap Resources (TSX:WCP)

Light and medium oil producer Whitecap has also gained a whopping 36% and will move higher as crude firms over the remainder of the year. While its 2019 oil production is forecast to fall by around 4% when compared to 2018 to 71,000 barrels daily, its earnings should continue to grow. A combination of higher WTI, a focus on reducing costs, and reduced commodity hedges that only cover 45% of Whitecap's annual production will see earnings rise significantly.

It is estimated that the proportion of hedged production will fall to 12% by 2020, positioning Whitecap to profit further from higher crude. At an assumed annual average WTI price of US$60 per barrel, Whitecap has forecast a 2019 funds flow netback of $26.60 per barrel produced compared to $25.93 for 2018 where WTI averaged US$64.77 per barrel.

Clearly, higher WTI will boost Whitecap's funds flow netback, which is an important measure of profitability, causing its stock to appreciate.

Like Crescent Point, Whitecap's oil reserves have a higher NAV than the driller's current stock price. Those reserves totalling 490 million barrels of oil equivalent have a fully diluted NAV of $12.95 per share, which roughly doubles Whitecap's current share price, underscoring the considerable upside ahead for investors.

Suncor Energy (TSX:SU)(NYSE:SU)

Integrated energy major Suncor has gained 20% since the start of 2019. Its upstream and downstream operations as well as low breakeven costs make it an attractive investment. The energy major's ability to refine roughly 69% of its oil sands production during 2018 meant that it was able to profit from the wide price differential between bitumen produced by its oil sands assets and WTI.

This is unlike its peers such as **Cenovus** and **Canadian Natural Resources**, which have significantly less refining capacity and saw their oil sands assets operating at a loss when Canadian heavy oil prices fell to record lows. That means the risk of Canadian heavy crude prices crashing again as Edmonton unwinds its mandatory production cuts poses little risk to Suncor.

The company has forecast that 2019 upstream oil production will grow by up to 12% year over year to 820,000 barrels daily. This, in conjunction with higher oil prices, the narrow price differential between Canadian crude blends and WTI, low breakeven costs, and higher refinery throughput will give Suncor's earning a healthy boost.

Management's confidence in the integrated energy major's ability to perform was underscored by a 17% dividend increase being announced as part of its full-year 2018 results, giving it a juicy yield of almost 4%. That — like the integrated nature of Suncor's operations, which allow it to benefit from higher and lower oil prices — enhances its appeal as a play on crude.

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