



## Bullish on Oil? This Canadian Energy Stock Could Triple Up for Investors Again This Year

### Description

A year ago, **Whitecap Resources** ([TSX:WCP](#)) was only trading for \$1.85 per share. Today, the company's share price has ballooned to nearly \$6.

Now, that's some decent capital appreciation.

Indeed, it appears investors continue to pile into smaller-cap names in the oil and gas space right now. These smaller players provide higher leverage to the price of oil. Right now, oil is on quite the run, and this strategy has paid off.

Here's why I think this outperformance could continue and why Whitecap is an [intriguing pick](#) right now.

### Oil has some big catalysts today

I've been optimistic for quite some time on the bull market potential of commodities. The energy sector in particular is one that I've viewed as a higher-leverage commodities play for investors bullish on commodities coming out of this pandemic.

Indeed, I think there are a number of reasons to be bullish on commodities (and energy specifically) right now.

First, commodity prices are tied to the strength of the U.S. dollar. The longer the U.S. dollar stays low, the better it is for the energy stocks. Indeed, as the U.S. government continues to inject absolutely massive stimulus into the economy, a weaker dollar is likely to persist for some time. Indeed, I wouldn't be surprised to see the Canadian dollar break par again at some point over the medium term — a reality which would be very good for Canadian energy producers.

Second, commodity prices are tethered to supply/demand fundamentals. With demand expected to boom coming out of this pandemic, there's reason to be optimistic on this front. As long as OPEC+ countries don't turn on the taps and flood the market with supply, there's a strong argument that can be

made in favour of energy investments today.

For those as bullish on commodities as I am, Whitecap is a great play. Here's why this company is on my watch list right now.

## Acquisitions bullish for long-term growth

The Calgary-based oil and gas producer has recently made a couple key acquisitions. Namely, the company acquired rivals NAL Resources and TORC Oil & Gas. These takeovers will undoubtedly bolster Whitecap's production, strengthening its top-line growth. Both acquisitions were completed smoothly, and the share-swap purchases were closed earlier this year.

As a result of these acquisitions, Whitecap revealed that its average production in the first quarter would be somewhere between \$94,000 and \$95,000 boe/d. These figures represent an increase of roughly 4% when compared to this company's previous projections. This is largely due to strong results delivered by new wells and EOR operations in Saskatchewan.

As per Whitecap's projections, its average production this year will be anywhere between 102,000 and 103,000 b/d. This increase will allow additional free cash flow of \$16 million to \$24 million on the basis of the \$60/bbl benchmark oil prices.

## Bottom line

Indeed, Whitecap is a highly levered play on the Canadian energy space. However, investors bullish on oil may want to consider such stocks right now.

I think Whitecap is making the right strategic moves to bolster profitable production over the long term. For those bullish on the medium- to long-term potential of this sector, Whitecap's outlook provides a lot to be bullish about today.

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