



TFSA Investors: This Global Energy Giant Could Benefit From Higher Oil Prices

Description

TransGlobe ([TSX:TGL](#))([NASDAQ:TGA](#)) is engaged in the exploration, development, and production of crude oil and natural gas in Egypt and Canada. The company regularly reviews potential acquisitions and new international exploration blocks to supplement TransGlobe's exploration and development activities.

Global operations

For over 16 years, TransGlobe has had [operations in Egypt](#). The company also operated in Canada from 1999 to 2008 and made a re-entry into Canada in December 2016. In Egypt, the company currently has an interest in four facilities, including West Gharib, West Bakr, NW Gharib, and Ghazala. In Canada, the company owns production and working interests in certain facilities in the Cardium light oil and Mannville liquid-rich gas assets in Alberta.

Capital preservation

In 2020, the company reduced TransGlobe's 2020 capital program and suspended the dividend in order to preserve cash. These decisions were made in response to global reactions to the spread of COVID-19 and the related economic fallout, which created significant volatility, uncertainty, and turmoil in the oil and gas industry. Oil demand significantly deteriorated as a result of the pandemic and corresponding preventative measures taken globally to mitigate the spread of the virus.

Attractive valuation

In addition, the Organization of the Petroleum Exporting Countries (OPEC) members were initially unable to reach an agreement on production levels for crude oil, at which point Saudi Arabia and Russia initiated efforts to aggressively increase production. These events compounded the impact of a material decline in oil demand and the supply increase from OPEC members attempting to capture market share.

While market conditions improved in the second half of 2020 as governments began to ease lockdown restrictions, the company recorded lower operational results in 2020 due to these events, which continue to negatively affect TransGlobe's business. Despite this, TransGlobe is very attractively valued.

Focused on sustainability

Recently, TransGlobe has committed to initiate steps and commensurate with the company's size and available resources to better understand and assess the materiality of environmental risks to the company's business. These steps include the board's oversight of climate-related risks and opportunities and management's role in assessing and managing climate-related risks and opportunities.

TransGlobe has provided initial disclosures on the company's [sustainability performance](#) as it relates to climate change-related risks. It will provide further disclosures as per recommendations issued by the task force for climate-related financial disclosures.

Management experience

Drawing on significant experience in the oil and gas business, TransGlobe's management team has a demonstrated track record of bringing together all of the key components to a successful exploration and production company. These include strong technical skills expertise in planning and financial controls, the ability to execute on business development opportunities, capital markets expertise, and an entrepreneurial spirit that allows TransGlobe to effectively identify, evaluate and execute the company's business plan.

Mitigating oil price risk

Any decline in oil and natural gas prices has an adverse effect on the company's financial condition. To mitigate price risks, TransGlobe closely monitors the various commodity markets and has established a hedging program to fix netbacks on production volumes. This should serve long-term shareholders well.

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