



Why Oil Bulls Need to Consider This Top TSX Energy Play Today

Description

Oil prices were beaten to a pulp last year as West Texas Intermediate (WTI) crude dropped approximately 300% in April 2020 and was trading around negative \$37 per barrel. Indeed, that was an incredible sight to see.

However, energy, and commodities in general, have made a strong recovery of late. Indeed, oil prices have a tonne of momentum right now. Accordingly, investors who are bullish on energy may want to consider [high-leverage plays](#), such as **Tourmaline Oil** ([TSX:TOU](#)) right now. Here's why.

Tourmaline Oil continues its acquisition spree

Tourmaline has announced that it will be taking over Black Swan Energy for approximately \$750 million in stock. The Calgary-based company will issue 26 million shares and assume debt of approximately \$350 million. All-in, the deal should cost Tourmaline \$1.1 billion.

In return, Tourmaline will receive Black Swan's current production of roughly 50,000 boe/d. As per projections, this figure will jump to 60,000 boe/d next year, due to expansion projects underway.

The company's cash flows are expected to see a nice boost as a result of the deal. With oil currently trading near multi-year highs, Tourmaline is leveraging up with the hopes of taking advantage of further commodity price increases. Such a move is bold, but could serve energy bulls well if Tourmaline is right.

The company expects to continue consolidating the sector further. For those bullish on the outcomes consolidators could have in this environment, Tourmaline is an intriguing leveraged play on the natural gas segment of this market right now.

Top-notch earnings boosting investor sentiment

When it comes to investing in stocks, fundamentals are essential for every investor. For energy stocks,

the prices of the underlying commodities produced is of utmost importance. After all, producers like Tourmaline are price-takers in the market.

Accordingly, it's no surprise Tourmaline's recent results have been stellar. This past quarter, the company reported net income of \$248 million. This number was well in excess of consensus analyst expectations. Much of this increase has to do with a higher realized natural gas price. For those bullish on where energy prices are headed, Tourmaline's past performance could be indicative of continued outperformance on the horizon.

As long as Tourmaline can sustain production increases in this environment, investors stand to do well. The company's recent acquisitions provide this operating leverage in spades. Accordingly, the company's production increase from roughly 300,000 boe/d last year to 417,800 boe/d this past quarter is notable. If the company can hit its 600,000 boe/d targets next year, that would amount to a doubling of the company's production in very short order.

Indeed, that would be impressive.

Bottom line

As mentioned, Tourmaline is a high-leverage play on commodity prices right now. Accordingly, this is a stock that's not for the faint of heart.

Those concerned that commodity prices have run too far too fast may want to pump the brakes on this name. Those who think there's more room to run in energy and commodity prices may want to give this stock a look. It all depends which side of the fence one sits on.

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Date

2025/08/14

Date Created

2021/06/21

Author

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