TFSA Investors: 3 Energy Stocks to Profit From Higher Oil

Description

The price of oil is on the rise. According to *oilprice.com,* West Texas Intermediate (WTI) crude traded for $73.24 on Tuesday, nearly double its price a year earlier. With the economic recovery from COVID-19 underway, people are starting to travel again, creating demand for fossil fuels.

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Given that the recovery is still not complete and that there are no supply shocks currently happening, it's reasonable to expect this trend to continue.

For this reason, many energy analysts are now forecasting oil to reach $100 for the first time in nearly a decade. In this article, I'll explore three Canadian energy stocks that could profit from higher oil.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is a company that directly profits from higher oil prices. Its main business activities are operating gas stations and selling oil wholesale. Both of these businesses profit more when the price of oil is high than when it isn't.

The price of gasoline is highly correlated with the price of oil, and direct oil sales, of course, fetch the going rate for a barrel. Therefore, Suncor makes more money when the price of oil is high.

This fact is confirmed by Suncor's most recent earnings release. In the first quarter, Suncor delivered $2.1 billion in funds from operations, $746 million in operating earnings, and $821 million in net income.

In all the 2020 quarters, net income was negative due to low oil prices. So we're already starting to see the 2021 oil price recovery begin to show up in Suncor's earnings. If oil goes higher, these numbers will improve even more.

Cenovus Energy

Cenovus Energy (TSX:CVE)(NYSE:CVE) is another company like Suncor that extracts and sells crude oil. It's the owner of Husky Energy, a company that operates gas stations. This business, as mentioned already, profits when oil prices are high. This can be seen in Cenovus's first-quarter results. Cash from operations amounted to $228 million, up 82%, while net earnings were $220 million, up from a billion-dollar loss, and adjusted funds flow was $1.14 billion, up from a $154 million loss.

Taken together, these results show that Cenovus is beginning to recover from the 2020 oil & gas rout. And higher oil prices are the most likely cause.

Imperial Oil

Last but not least, we have **Imperial Oil** (TSX:IMO)(NYSEMKT:IMO). IMO is, like Suncor and Cenovus, an integrated oil company involved in extracting, refining, transporting, and selling oil. With a $30 billion market cap, it's one of Canada's largest energy companies and could get bigger. The higher the price of oil goes, the more money IMO will make, and the price of oil is positively bullish right now.

In its most recent quarter, Imperial Oil delivered the following results: $392 million in net income, over $1 billion in cash from operations, and a 23% dividend hike (from $0.22 to $0.27).

Broadly, these results speak to a confident, growing company that knows it will do better in the year ahead than it did last year. The dividend hike, in particular, suggests that management considers the oil price recovery to be a long-term secular trend. Overall, IMO stock could be a great way to play higher oil prices in the year ahead.

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2. NYSE:SU (Suncor Energy Inc.)
3. NYSEMKT:IMO (Imperial Oil Limited)
4. TSX:CVE (Cenovus Energy Inc.)
5. TSX:IMO (Imperial Oil Limited)
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