3 Canadian Energy Stocks to Profit From Higher Oil

Description

The price of crude oil is once again on the rise. After a few bearish months, WTI futures trended upward this week, inching closer and closer to $70. Today, we're rounding the corner on COVID, and there are no supply shocks in the picture. OPEC nations seem content to keep output at the level it has been. So, we can reasonably expect the price of oil to be pretty strong from this point forward. As long as the Delta variant doesn't cause serious problems in the fall, we're in the clear. With that in mind, here are three Canadian energy stocks that will profit from higher oil.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is a Canadian energy company directly involved in the extraction and sale of crude oil. It refines its oil and sells it as gasoline at a network of Petro-Canada gas stations across the country. It also exports some oil and gas to the United States. As a fully integrated energy company, its revenue directly increases when the price of oil goes up. We can see the effect clearly by looking at Suncor's most recent quarterly report. In the second quarter, SU reported $2.3 billion in funds from operations FFO (up from $488 million), $722 million in operating earnings (up from a $1.3 billion loss), and $868 million in net income (up from a $614 million loss). So, clearly, Suncor energy benefited from the rising price of oil in Q2 — after all, it's the main factor that explains why its key earnings metrics swung from losses to profits.

Cenovus Energy

Cenovus Energy (TSX:CVE)(NYSE:CVE) is another Canadian energy company. As a fully integrated energy firm, its business model is very similar to Suncor's. It extracts, refines, and sells oil & gas products all around the country. Like Suncor, it has its own chain of gas stations, acquired from the Husky Energy acquisition. Also like Suncor, its most recent quarter saw substantial growth. In the second quarter, CVE posted the following metrics:

- Cash from operations: $1.4 billion
- Free funds flow: $1.3 billion

- Net income: $224 million

All of these results were up from substantial losses in the same period of 2020, showing that CVE is rapidly recovering from the oil price collapse of 2020.

Canadian Natural Resources

Canadian Natural Resources (TSX:CNQ)(NYSE:CNQ) is a major crude oil and natural gas producer. Like the other two companies on this list, it produces and sells oil directly, so its profits increase whenever the price of oil goes up. Ditto for natural gas.

In the most recent quarter, CNQ produced the following results:

- $1.5 billion in GAAP net income (up from a $300 million loss)
- $1.4 billion in adjusted net income (up from a $772 million loss)
- $2.9 billion in cash from operations (up from a $351 million net outflow)

Those are pretty solid results all around. They're all the more impressive when we consider that CNQ's crude oil production actually declined somewhat in the quarter. So, the rising price of oil is leading to more profit, even as output stalls.

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2. NYSE:CVE (Cenovus Energy Inc.)
3. NYSE:SU (Suncor Energy Inc.)
4. TSX:CNQ (Canadian Natural Resources Limited)
5. TSX:CVE (Cenovus Energy Inc.)
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