



## Top Oil Stock to Buy for Winter 2021

### Description

Energy demand is already hitting record highs. As the economy reopens, pent-up demand for travel is being unleashed while supply struggles to catch up. Unsurprisingly, a barrel of crude oil now trades at US\$69.8, pushing oil stocks higher. Now, as we enter winter, this momentum in oil stocks could continue.

Here's how you can bet on this medium-term trend in global energy demand.

### Top oil stock

**Inter Pipeline** (TSX: IPL) is one of the best oil stocks on the market right now. That's because it's an infrastructure play, rather than a producer, which makes it less volatile.

The stock is up by more than 60% year to date. The rally has come at the back of major announcements that have continued to strengthen the company's sentiments in the market.

Solid [second-quarter results](#) affirm the company's core business which appears to be in a phase of growth amid the ongoing recovery in the energy industry. Inter Pipeline shares climbed after the company announced a 30% revenue increase to \$524.4 million as net profit more than doubled.

However, chatter about Inter Pipeline being an acquisition target appears to be the primary driver of the rally right now. **Pembina Pipeline** was the first to table a takeover bid before withdrawing. **Brookfield Infrastructure** has since upped the game, having tabled a \$16 billion bid, nearly double the \$8.3 billion that Pembina offered. While Brookfield already owns a significant stake in the company, this bid would allow it to acquire the rest of the company that it doesn't currently own.

The bidding war is pushing the stock higher but it's still trading below the offer price. Even if IPL accepts Brookfield's current offer, the stock price could double.

## Dividend and valuation

Along, Inter pipeline boasts of a solid 2.4% dividend yield, which provides an opportunity to generate some passive income on the side, waiting to see if it will be acquired. However, the company's dividend yield lags behind other oil stocks that offer up to 6.6% in dividend yields.

The proposed acquisition presents an opportunity to generate some returns going by the premium that any takeover will result in. Additionally, Inter Pipeline is the cheapest option compared to others as it is trading at a price-to-earnings ratio of 17.

## Bottom line

2021 has been a great year to bet on oil stocks and energy companies. The reopening unleashed pent-up demand while supplies of oil and gas dwindled. Oil stocks have more than recovered their losses from last year. As we enter winter, this trend could continue.

While Inter Pipeline is exposed to all those factors, it also has an added X-factor: a potential acquisition. Institutional investors have already expressed interest in buying the company for *twice* its current value. That's why this oil stock should be on the top of your watch list.

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