2 TSX Energy Stocks to Crush the Oil Price Recovery

Description

The price of oil is on the rise once again.

Following a brief Omicron-driven dip, WTI oil futures began climbing in early December.

On December 1, oil bottomed at $65.5. After that, it climbed to near $73. We still haven't seen the kinds of prices that were observed before the Omicron scare (about $85 a barrel), but should the current COVID concerns blow over, we should get there eventually.

In this environment, energy stocks are very much worth looking at. Sporting high dividend yields, good profitability, and the potential for growth if oil prices start rising, they could deliver handsome returns going forward. In this article, I will explore two Canadian energy stocks that could be worth grabbing in December.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is one of Canada's biggest integrated energy companies. It sells oil wholesale, and it also sells gasoline directly at its own network of gas stations (Petro-Canada). As an integrated oil company, Suncor directly profits from increases in the price of oil. It sells the commodity directly, so naturally, it makes more money when the price goes up. This fact can be easily demonstrated in Suncor's most recent earnings release. In the third quarter, Suncor delivered

- $2.6 billion in funds from operations (FFO), up 160%;
- $877 million in net income, up from a $12 million loss;
- $1 billion in operating earnings, up from a $338 million loss; and
- $4.7 billion in cash from operations, up 278%.

Those are pretty solid results. More importantly, these results were greatly improved from the same quarter a year before. In the third quarter of 2020, oil prices were extremely low because the COVID-19 pandemic wreaked havoc on demand. This year, however, prices are rising, and Suncor is now more profitable than it was before.

Cenovus Energy

Cenovus Energy (TSX:CVE)(NYSE:CVE) is another integrated energy like Suncor. It also extracts, refines, and sells oil. Thanks to its acquisition of Husky Energy, it has its own network of gas stations as well. So, it, like Suncor, makes money directly off oil and gas sales, profiting more when prices are high.

Much like Suncor's, Cenovus's most recent quarter was a huge success. In the third quarter, CVE delivered

- $2.3 billion in cash from operations, up 200%;
- $2.1 billion adjusted funds flow, up 475%;
- $1.7 billion in free funds flow, up 554%;
- $1.16 in EPS, up 251%; and
- A significant reduction in debt.

As you can see, just like Suncor, Cenovus experienced dramatic growth in the third quarter. Also like Suncor, it was mainly due to higher oil prices. Energy companies that extract and sell oil make more money when oil prices rise. If prices keep rising, then these companies will do even better in the fourth quarter than they did in the third. Unfortunately, it looks unlikely that fourth-quarter prices will rise enough by the end of December for that to happen. But next year, things could improve.

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