3 Energy Stocks That Are Ready to Roar

Description

Are you looking for a battered sector to buy on the dip? Energy stocks would be one good place to look.

Currently, they're being beaten down on renewed COVID-19 worries. When COVID-19 lockdowns take hold, people tend to travel less, which reduces demand for oil. This is reflected in the price of the commodity. In the 30-day period ended December 20, the price of WTI crude fell 4.5%. Earlier this year, oil hit highs not seen in a long time, going as high as $86 at one point. Now, however, Omicron is in the picture, and oil is predictably falling.

That might seem bearish for oil stocks. But if the last few waves of COVID taught us anything, it's that oil prices bounce back quickly in the re-opening. With that in mind, here are three oil stocks that are looking solid for 2022.

Suncor Energy

Suncor Energy (TSX:SU)(NYSE:SU) is a stock whose fortunes are directly tied to the price of oil. It is an energy company whose main business activities include extracting, refining, and selling crude oil. It also sells gasoline directly at a network of gas stations. This kind of business earns more money when the price of oil is high.

With higher oil prices come higher revenue for Suncor, without necessarily higher costs. So, it should come as no surprise that Suncor's most recent quarter was a huge win. In it, the company brought in $2.6 billion in cash flow, up 160%, and $877 million in net income, up from a loss. Suncor Energy lost money in *all* 2020 quarters; now, it's getting close to $1 billion in *per quarter* earnings. So, this is one beaten-down energy stock that could rally if oil prices rise next year.

Cenovus Energy

Cenovus Energy (TSX:CVE)(NYSE:CVE) is another integrated energy company like Suncor. It has a similar business model where it extracts oil and sells oil — both wholesale and as gasoline — at its own gas stations. Pretty much all the reasons for investing in Suncor apply to CVE as well. Like Suncor, it makes more money when the price of oil rises. Also like Suncor, it had a solid third quarter, with metrics like

- $2.1 billion in cash from operations, up 192%;
- $2.34 billion in adjusted funds flow, up 475%; and
- $1.69 billion in free funds flow, up 554%.

Those are pretty solid results. In fact, the growth in Cenovus's case was even better than in Suncor's. All integrated energy companies make more money when the price of oil goes up, but some benefit more than others. It seems like CVE's recovery from the 2020 base period has been sharper than SU's, leading to solid per-share gains.

Enbridge

Enbridge (TSX:ENB)(NYSE:ENB) is another energy company that could eventually profit from higher oil prices. As a pipeline, it doesn't make money off oil prices directly. But it transports oil, so as demand for the commodity grows, so too could the market need for the kinds of infrastructure ENB builds. Presently, North American pipelines are almost always filled to capacity, leading companies to have to pay top dollar for crude by rail. The more oil flows, the more demand for pipelines with grow. Enbridge, as Canada's premier pipeline company, is perfectly positioned to profit off that reality.

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3. NYSE:SU (Suncor Energy Inc.)
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