



## 2 Oil & Gas Firms With Mind-Blowing Profits

### Description

Energy is certainly a winning sector this year with rising oil prices. Most of its constituents were big losers in 2020, because of the oil slump and outbreak of COVID-19. The sector came back with a vengeance in 2021 when borders reopened and oil demand returned.

Income investors seeking growing [dividends](#) to combat inflation have two excellent choices in the red-hot energy sector. **Canadian Natural Resources** ([TSX:CNQ](#))([NYSE:CNQ](#)) and **Tourmaline Oil** ([TSX:TOU](#)) are must-buys in March. Both oil and gas firms reported mind-blowing [profits](#) in Q4 2021. Market analysts are bullish, given their return potential forecasts of more than 20% in 12 months.

### Zero operational problems

Canadian Natural Resources didn't waste time rewarding investors with a quarterly dividend hike (28%) following a big jump in earnings. In Q4 2021, management reported \$2.53 billion in profits, or 237.8% increase versus Q4 2020. The top line, or total revenue, reached \$9.21 billion, an 83.5% growth from the prior-year quarter.

Despite the harsh winter, the \$88.82 billion company saw its production output increase 9% to 1.31 million barrels of oil equivalent per day during the quarter. While the jump is relatively small, CNR benefitted from the more than 50% rise in crude prices in 2021.

Unlike industry rivals, CNR didn't have operational problems. According to Phil Skolnick, an analyst at Eight Capital, **Imperial Oil** and **Suncor Energy** missed Q4 2021 profit expectations due to disruptions in operations. At \$53.45 per share, investors enjoy a 36.2% year-to-date gain in addition to the 3.23% dividend winter.

### Record earnings and free cash flow

Tourmaline brags that its net profit in Q4 2021 was nearly half of the full year's total profits. Net earnings increased 58% to \$996.24 million versus Q4 2020. For the full year, the figure is \$2.02 billion,

a 228% year-over-year growth. Another highlight for the year was the record \$1.49 billion in free cash flow.

If the current strip pricing sustains in 2022, Tourmaline expects to generate cash flow and free cash flow of \$4.05 billion and \$2.85 billion, respectively. The capital expenditures budget is \$1.125 billion. Regarding dividends, management increased its base dividends thrice (29% annual increase) in 2021.

This oil and gas stock trades at \$51.17 per share and pays a modest 1.41% dividend. Thus far, in 2022, the gain 28.9% with an upside potential of 25.8%, based on market analysts' buy rating recommendation.

## No relief in oil prices

Crude prices rose (Brent and WTI) above US\$100 per barrel on March 3, 2022. On the same day, the International Energy Agency (IEA) announced the release of 60 million barrels from its oil stockpiles. The coalition, led by the U.S., Germany, and Japan, hopes to arrest the surging oil prices.

It was the first since 2011, during the civil war in Libya, that IEA made such global release of oil. Louise Dickson, an analyst at Rystad Energy, expects oil prices to hover above US\$100 per barrel in the near term. It could go higher if the [armed conflict](#) escalates further.

Meanwhile, Canadian Natural Resources and Tourmaline Oil should generate more investors' attention due to their massive profits in Q4 2021. Also, the profits in Q1 2022 might be equally impressive as oil hits new highs.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:CNQ (Canadian Natural Resources)
2. TSX:CNQ (Canadian Natural Resources Limited)
3. TSX:TOU (Tourmaline Oil Corp.)

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