

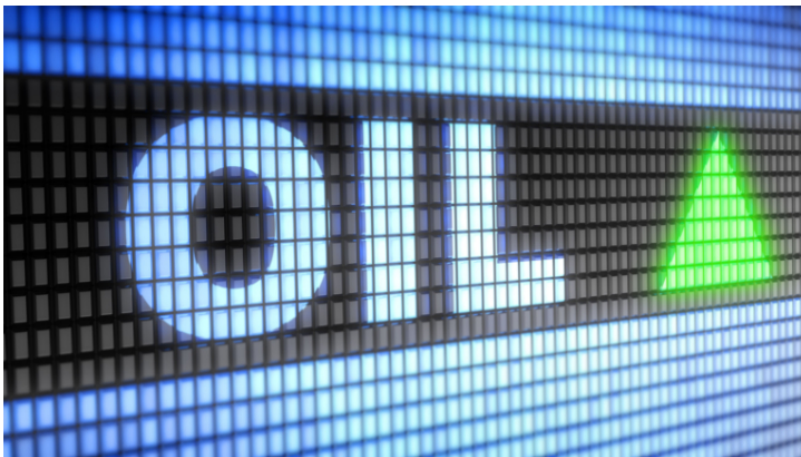
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3 Oil Stocks That Could Heat Up This Winter

As 2023 comes to a close, investors should consider these oil stocks.

9h ago · By Tyrik Torres, InvestorPlace Contributor

- These three oil stocks are likely to deliver solid returns during the next few months.
- **Vertex Energy (VTNR)**: Vertex Energy's bet on renewable diesel could reward patient investors handsomely.
- **Petrobras (PBR)**: While PBR's dividends are capped at 45% of free cash flow, income investors still have a lot of gain.
- **Ecopetrol (EC)**: A recent court decision could create an opportunity for more dividends from EC down the line.



Source: Pavel Ignatov / Shutterstock.com

The **iShares Global Energy ETF (NYSEARCA:IXC)** has only risen 3.9% year-to-date (YTD), indicating **energy stocks** have had a mixed year. However, things could change for **oil stocks** as we enter the winter months. This time of the year is typically a bullish season for oil prices, as colder weather boosts heating demand and increases the risk of supply disruptions.

Moreover, ongoing geopolitical events in the Middle East coupled with optimism around where U.S. interest rates will eventually land are likely to push oil stocks upward. Equities investors looking for exposure to the energy sector may want to consider these three oil stocks which have strong fundamentals, attractive valuations and growth potential.

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Vertex Energy

Based in Houston, Texas, **Vertex Energy** (NASDAQ:[VTNR](#)) is an energy transition company focusing on the production of conventional and alternative fuels. The company [operates in two segments](#), Refining and Marketing as well as Black Oil and Recovery. The former segment revolves around Vertex's Mobile Refinery in Alabama where the company engages in typical refinery work, processing crude oil and turning it into refined products such as gasoline, jet fuel and diesel. The Black Oil and Recovery segments, on the other hand, is involved in the recycling and re-refining of used motor oil and other petroleum byproducts.



Source: ThePowerPlant/Shutterstock.com

While Vertex has made [high conviction bets](#) on its renewable diesel business, profits from that production have largely fallen flat thus far. Still, secular trends in renewable energy, including [generous tax credits](#), could eventually pave the way for Vertex's renewable diesel product in the coming quarters.

While Vertex has fallen more than 35% YTD due to investors having mixed feelings on the stock, new investors could benefit from buying at this low point.

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Petrobras (PBR)

Petrobras (NYSE:[PBR](#)) has been a top emerging markets oil and gas performer in 2023. Shares have risen more than 82% since the start of 2023, but despite this immense rise in share price, PBR's valuation, trading at only 3.7x forward earnings, is still relatively cheap and underappreciated.



Source: A.PAES / Shutterstock.com

Petrobras recently [raised its projection](#) for oil and gas production this year, and the firm lifted its 2023 oil and gas output to 2.8 million barrels of oil equivalent per day (boed) from 2.6 million boed previously. As war rages in the Middle East and OPEC production cuts remain in place, oil prices could climb soon, and Brazilian oil companies could continue to pick up the tab on providing oil to the rest of the world.

The oil and gas giant is also well-known for its generous dividend. At the end of the second quarter, the company's board [limited the dividend](#) to 45% of free cash flow. While this was definitely a drawback for income investors, in the long run,

I believe shareholders will still be able to reap hefty dividends as Petrobras continues generating large sums of net income and free cash flow. Petrobras recently [raised its projection](#) for oil and gas production this year, and the firm lifted its 2023 oil and gas output to 2.8 million barrels of oil equivalent per day (boed) from 2.6 million boed previously. As war rages in the Middle East and OPEC production cuts remain in place, oil prices could climb soon, and Brazilian oil companies could continue to pick up the tab on providing oil to the rest of the world.

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a majority state-owned oil and gas company in Colombia and is the largest in the country. Although [Ecopetrol](#) was a prime beneficiary of higher oil prices in the past couple of years, the market shifted against the oil giant in 2023. In the second quarter of 2023,



Source: Rangsarit Chaiyakun / Shutterstock.com

[Ecopetrol](#) [reported](#) a revenue of 34.3 trillion Colombian pesos (about \$9 billion), down 21.3% year-over-year, and a net income of 4.1 trillion Colombian pesos (about \$1 billion), down 61% year-over-year. The reason was related to oil price movements. In particular, oil prices plunged this year relatively to where they were after Russia invaded Ukraine in early 2022.

Despite revenues being down year-over-year, [Ecopetrol](#) has maintained capital efficiency and whatever free cash flow it continues to generate, the company returns much of it in the form of dividends. In fact, [Ecopetrol's](#) dividend yield at current prices is around 14.7%. Moreover, a [recent court decision](#) will decrease [Ecopetrol's](#) effective tax rate, which could increase the dividend even further in coming quarters.

Lastly, the oil company's price-to-earnings ratio is about 2.1x forward earnings, making its valuation undoubtedly attractive.

On the date of publication, Tyrik Torres did not have (either directly or indirectly) any positions in the securities mentioned in this article. The opinions expressed in this article are those of the writer, subject to the InvestorPlace.com [Publishing Guidelines](#).

Tyrik Torres has been studying and participating in financial markets since he was in college, and he has particular passion for helping people understand complex systems. His areas of expertise are semiconductor and enterprise software equities. He has work experience in both investing (public and private markets) and investment banking.

Energy, Oil

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1d ago · By Louis Navellier and the InvestorPlace Research Staff

