



1 Big Reason Enerplus Corp.'s Stock Is About to Soar

Description

Canada-based oil and natural gas company **Enerplus Corp.** ([TSX: ERF](#))([NYSE: ERF](#)) holds an impressive suite of assets in North America, and until oil prices crashed this year, the stock was on a nice trajectory thanks to increasing revenue, production, and resources.

In fact, the company's stock climbed consistently during the first half of the year, peaking at \$27.05 a share, but over the past few months, the stock has declined, plunging to a 52-week low just a few weeks ago. Suspiciously, the stock's fall has mirrored oil's decline and with the oil market having to bottom out soon, it could be all upside for Enerplus very shortly.

Recent results

The company has surpassed revenue expectations so far this year, while at the same time dramatically boosting its contingent resources. Earlier in the year, when Enerplus reported the jump in contingent resources, the company's stock scaled a 52-week high.

Revenues increased in the first half of the year, in Q1 revenue grew 32.6% year over year, and in Q2 revenue was up 24.6%. Both these developments are a positive for Enerplus' future, but unfortunately slumping oil prices removed the stock's luster.

Oil prices have been on a steep downward trajectory since the summer, with front-month West Texas Intermediate futures recently hovering just above \$81 a barrel. Driving futures lower has been increasing oil production and decreasing demand, but for a few reasons, oil is likely at or near its bottom right now, which means the worst is over for Enerplus.

Oil prices will recover soon

The supply/demand fundamentals of the oil market are about to see a re-balancing, as the low cost of oil will cause many high-cost North American oil producers to idle some production. Fortunately for Enerplus, it is one of the lower-cost producers. As these other higher-cost producers idle production, less oil will enter the market and prices will appreciate. In addition, OPEC may also cut back on production shortly, which is another reason oil prices could lift off their bottom. As supplies are

removed from the market, prices should start to appreciate, and Enerplus' stock should follow suit, because oil prices are the major negative pressure on the company's stock value.

Other reasons to buy Enerplus

It is true you may have to wait a bit for oil prices to appreciate and Enerplus' stock to follow, but in the meantime, the company is an attractive investment due to its large dividend, with an annual yield of 6.6%. Also, most analysts are fairly bullish on this stock right now. It has an average buy rating and a consensus price target of \$26.91.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ERF (Enerplus Corporation)
2. TSX:ERF (Enerplus)

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