



Is Cardinal Energy Ltd. the Top Energy Stock You've Never Heard of?

Description

Cardinal Energy Ltd. ([TSX:CJ](#)), one of the fastest growing junior oil and natural gas producers in Canada, announced fourth-quarter earnings results after the market closed on March 23, and its stock has responded by rising over 2% in the trading sessions since. Let's take a closer look at the quarterly results to determine if we should consider initiating long-term positions today, or if we should look elsewhere for an investment instead.

Acquisitions driving revenues higher

Here's a summary of Cardinal's fourth-quarter earnings results compared to its results in the same period a year ago.

Metric	Q4 2014	Q4 2013
Diluted Earnings Per Share	\$0.46	\$2.33
Petroleum & Natural Gas Revenue	\$63.16 million	\$12.25 million

Source: Cardinal Energy Ltd.

Cardinal's fully diluted earnings per share decreased 80.3% and its revenue increased 415.8% compared to the fourth quarter of fiscal 2013. The company's steep decline in net income and triple-digit increase in revenue can be attributed to two major acquisitions it made in Alberta in the third quarter, which led to its average daily production increasing 405.2% to 10,888 barrels of oil equivalents per day.

Here's a quick breakdown of six other notable statistics from the report compared to the year-ago period:

1. Average production of crude oil and natural gas liquids increased 418.9% to 10,197 barrels per day
2. Average production of natural gas increased 264.1% to 4.15 million cubic feet per day
3. Funds from operations increased 2,094.1% to \$26.57 million

4. Funds from operations increased 475% to \$0.46 per diluted share
5. Development capital expenditures increased 2,563.1% to \$9.88 million
6. Net debt increased 487.7% to \$54.07 million

Is now the time to buy Cardinal Energy?

Even after the slight post-earnings pop in Cardinal's stock, I think it represents a great long-term investment opportunity, because it trades at inexpensive valuations and pays a very high dividend.

First, Cardinal's stock trades at just 12.3 times fiscal 2014's diluted earnings per share of \$1.20, which is very inexpensive given its long-term growth potential, and this multiple would be even lower had the company not made the aforementioned acquisitions. I think the company can easily make over \$2 per share in fiscal 2015 as a result of its increased production capacity and sales potential, which would give it a forward multiple of under 7.5.

Second, Cardinal pays a monthly dividend of \$0.07 per share, or \$0.84 per share annually, giving its stock a very high 5.7% yield at current levels and making it a value, growth, and dividend play today.

With all of the information provided above in mind, I think Cardinal Energy represents a great long-term investment opportunity today. Foolish investors should take a closer look and consider establishing positions.

CATEGORY

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