

## Should You Buy Vermillion Energy Inc. and its 4.6% Yield Today?

### Description

**Vermillion Energy Inc.** ([TSX:VET](#))([NYSE:VET](#)), one of the largest producers of crude oil and natural gas in North America, Europe, and Australia, announced first-quarter earnings results on the morning of May 8, and its stock has remained relatively flat in the trading sessions since. Let's take a closer look at the results to determine if we should consider using this lack of movement as a long-term buying opportunity, or if we should avoid the stock for the time being.

### Breaking down the first-quarter results

Here's a summary of Vermillion's first-quarter earnings results compared with its results in the same period a year ago.

Metric	Q1 2015	Q1 2014
Earnings Per Share	\$0.01	\$1.00
Revenue, Net of Royalties	\$179.46 million	\$357.16 million

Source: Vermillion Energy Inc.

Vermillion's earnings per share decreased 99% and its revenue, net of royalties, decreased 49.8% compared with the first quarter of fiscal 2014. These very weak results can be attributed to the steep decline in commodity prices in the last year, which led to the company's average realized selling price of crude oil and natural gas liquids decreasing 47.8% to \$58.25 per barrel and its average realized selling price of natural gas decreasing 34.2% to \$5.26 per thousand cubic feet.

Here's a quick breakdown of eight other notable statistics and updates from the report compared with the year-ago period:

1. Petroleum and natural gas sales decreased 48.6% to \$195.89 million
2. Total production increased 7.9% to 50,386 barrels of oil equivalents per day
3. Production of crude oil increased 3.2% to 28,181 barrels per day
4. Production of natural gas liquids increased 42% to 3,039 barrels per day
5. Production of natural gas increased 11.3% to 115 million cubic feet per day
6. Fund flows from operations decreased 41.2% to \$120.8 million
7. Fund flows from operations decreased 43.7% to \$1.11 per diluted share
8. Capital expenditures decreased 11.2% to \$174.31 million

Also, on May 11, Vermillion announced that it will be maintaining its monthly dividend of \$0.215 per share in June, and it will be paid out on June 15 to shareholders of record at the close of business on May 22.

### Should you buy Vermillion today?

The first quarter was very weak for Vermillion, so I think its stock has responded correctly by remaining flat. With this being said, I think Vermillion represents a great long-term investment opportunity today.

First, I think commodity prices will continue to recover over the next 52 weeks, with the price of crude oil heading back towards about \$75 per barrel, which will lead to increased sales and profitability for Vermillion. This will also lead to increased demand for the stocks of energy companies, driving them higher.

Second, Vermillion's stock trades at just 25.5 times fiscal 2016's estimated earnings per share of \$2.18, which is inexpensive compared with its long-term growth potential. I also think that as commodity prices recover, this estimate could rise significantly.

Third, Vermillion pays an annual dividend of \$2.58 per share, giving its stock a 4.6% yield at today's levels. The company has also increased its dividend twice in the last two years, showing that it is deeply dedicated to maximizing the amount of capital it returns to shareholders.

With all of the information provided above in mind, I think Vermillion Energy represents one of the best long-term investment opportunities in the energy sector today. Foolish investors should take a closer look and strongly consider initiating positions.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing
4. Stocks for Beginners

## TICKERS GLOBAL

1. NYSE:VET (Vermilion Energy)
2. TSX:VET (Vermilion Energy Inc.)

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