



Should You Buy Vermilion Energy Inc. Today?

Description

Most of the time, when you talk about energy companies, you think of the big guys such as **Enbridge Inc.**, **TransCanada Corporation**, and **Suncor Energy Inc.** But there's a smaller, mid-cap oil and gas producer that's worth a look.

Vermilion Energy Inc. ([TSX:VET](#))([NYSE:VET](#)) is reporting its second-quarter earnings results today, August 10. Most energy companies are reporting bad results due to the tanking of the oil price, and I think Vermilion Energy won't get away from that either, but at least it is diversified globally.

The business

Vermilion Energy is an international oil and gas producer with 20 years of experience. It has leading positions in high netback businesses in North America, Europe, and Australia. Its business model targets annual organic production growth of roughly 5% and aims to provide reliable, increasing dividends to investors.

For 2015, Vermilion is targeting 11-15% in production growth over 2014 through the exploration and development of natural gas opportunities in the Netherlands and Germany.

Outperforms peers

Compared with its mid-cap peers **Baytex Energy Corp.**, **Bonavista Energy Corp.**, and **Enerplus Corp.**, Vermilion Energy has outperformed them in total returns across multiple time frames, from 15 years, 10 years, five years, down to its year-to-date performance.

Even though year-to-date Vermilion is down by 19%, it is still your best bet in a mid-cap oil and gas producer today.

Dividend

So far, its peers have cut their dividends one after another. Baytex Energy cut its dividend at the end of 2014. Bonavista Energy slashed its dividend in 2013, and again in 2015. Enerplus cut its dividend in

March. Yet Vermilion Energy has still maintained its dividend thus far.

In fact, in 12 years Vermilion Energy has never once cut its dividend, but raised it three times, increasing it by 26% over the period.

Valuation

It's difficult to evaluate energy companies now because the oil price is low and we don't know how long it will stay low. Vermilion Energy estimates its funds-from-operations will drop by 30% in 2015 compared with last year, which implies the shares could drop below \$40.

In conclusion

I'm not encouraging the timing of the market, but around earnings report time, the market can get especially emotional about a company. Vermilion Energy could go up or down 8% in one day.

Because energy companies are particularly volatile in the current harsh environment, Foolish investors can act cautiously by seeing how the shares react after the earnings report before considering a position.

Today at under \$45, it's not a bad time for a long-term position in this quality company, but if it moves under \$40, that would be a more prudent entry point.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

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

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