



These 3 Energy Stocks Have Double-Digit Upside

Description

Energy stocks have experienced some strength recently. In the last month, **Arc Resources Ltd.** ([TSX:ARX](#)), **Raging River Exploration Inc.** (TSX:RRX), and **Vermilion Energy Inc.** ([TSX:VET](#))([NYSE:VET](#)) stocks have appreciated 10-15%. And in the last five trading days alone, they have all appreciated +8%.

There could still be more upside to come.

Arc Resources

Arc Resources is a Canadian oil and gas producer with a production mix of ~74% natural gas and natural gas liquids and ~26% oil. In the long run, it aims for a net-debt-to-funds-from-operations ratio of 1.0-1.5.

Arc Resources aims to produce 120,000-124,000 barrels of oil equivalent per day (boe/d). From its second-quarter results, the company is on track to do so.

At just under \$18 per share, Arc Resources offers upside potential of ~23% based on the mean 12-month price target of \$22.10 per share from **Thomson Reuters**. The stock also offers a 3.3% yield that will add to returns.



Raging River

Raging River is an oil-weighted producer with a production mix of ~93% oil. This year, the company aims to produce ~22,750 boe/d.

The experienced management has had a strong track record of building four previously successful oil and gas producers, including Wild Stream Exploration and Wild River Resources, which were sold to **Crescent Point**. Notably, the insider ownership of Raging River is strong with an aggregate stake of ~9.2%.

At ~\$7.30 per share, Raging River has upside potential of ~44% based on the mean 12-month price target of \$10.50 per share from Reuters.

Vermilion Energy

Vermilion Energy is diversified with operations in France, Germany, Ireland, Australia, the United States, and Canada and a production mix of ~41% oil and ~58% gas. Moreover, it enjoys premium pricing from its Brent oil and European gas, which make up ~27% and ~30%, respectively, of production. Because of its diversification, it tends to trade at a premium multiple to its peers.

At just under \$45 per share, Vermilion Energy offers upside potential of ~14% based on the mean 12-month price target of \$51.10 per share from Reuters. The stock also offers a ~5.8% yield that will add to returns. Notably, Vermilion Energy has at least maintained the same dividend per share since 2003. So, management is pretty committed to the dividend.

Investor takeaway

Investors with a big appetite for risk can consider these names for potential double-digit returns in the near term. Arc Resources and Vermilion Energy offer a dividend, but if the underlying commodity prices are bad enough, there's always the chance that their dividends could be cut. To gain exposure to the energy space but with reduced risk, consider energy infrastructure companies, such as **Enbridge**.

CATEGORY

1. Dividend Stocks

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:VET (Vermilion Energy)
2. TSX:ARX (ARC Resources Ltd.)
3. TSX:VET (Vermilion Energy Inc.)

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