Can These 2 Energy Stocks Sustain Their Rallies?

Description

The shares of **Vermilion Energy Inc.** (TSX:VET)(NYSE:VET) and **Torc Oil And Gas Ltd.** (TSX:TOG) have appreciated ~17% and ~15%, respectively, in the last month.

One thing that attracts investors to their stocks is their dividends. Vermilion and Torc currently offer decent yields of at least 4%. As they showed recently, they can deliver meaningful price appreciation on top of a nice yield. But can they sustain their rallies?

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First, let's take a look at their businesses.

Vermilion

Vermilion's production mix is about 42% oil and 58% natural gas. It stands out from its North American peers by having international operations in France, Germany, Ireland, the Netherlands, and Australia.

As a result, the company benefits from the premium pricing of Brent oil (27% of production) and European gas (30%). Together, Brent oil and European gas generate 70% of the company's fund flows from operations.

Vermilion has the lowest sustaining capital-reinvestment breakeven WTI price (of less than US$15 per barrel) among its peers. Accounting for its dividend, it'll require a WTI oil price of US$40 to break even, which is at the lower end among its peers.

The company offers one of the safest dividends in the mid-cap oil and gas space. This is signified by its dividend per share, which management has at least maintained since 2003, while many other oil and gas companies have had to slash their dividends when things got bad. At ~$46 per share, Vermilion offers a nice yield of 5.6%.

Torc

Torc focuses on producing light oil. Its production mix is about 88% oil and 12% natural gas. The company aims to run efficiently and has a low sustaining capital-reinvestment breakeven WTI price of about US$36 per barrel. Accounting for its dividend, the energy company requires a WTI price of about US$44 per barrel to break even. At $6.05 per share, Torc offers a yield of nearly 4%.

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Investor takeaway

In the last month, we primarily saw higher oil prices. In North America, the oil and natural gas prices are now at ~US$50 and ~US$3, respectively. As mentioned earlier, Vermilion benefits from higher commodity prices from its international operations. So, both Torc and Vermilion shares have reacted to the higher energy prices.

Whether or not the stocks' rallies will be sustained depends on if the commodity prices will continue with their upticks. Based on the Street consensus from **Thomson Reuters**, Torc has more upside than Vermilion in the near term.

Specifically, the consensus thinks Torc and Vermilion can reach $8.46 and $51.10 per share, respectively, within the next 12 months, which represent upside of ~40% and ~11%, respectively.

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1. Dividend Stocks
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