



## Don't Miss This Oil & Gas Stock Which Has Seen its Production Skyrocket!

### Description

With oil prices climbing recently and finding a home north of \$50, investors have been flocking to oil and gas stocks in the hopes that this may finally be a sign that demand and supply are trending more towards an equilibrium and that in the long term prices will continue to increase. As of this writing, **Cenovus Energy Inc.** has seen its stock climb 35% in the past month, and **Encana Corp.** has gone up by over 26%.

However, there is one company that might have even higher growth prospects should the industry see more growth and capital spending, and that would be natural gas producer **Seven Generations Energy Ltd.** (TSX:VII). The company's stock has been abysmal this year with its value dropping 35% year to date. However, as oil prices have been increasing the stock has appreciated 12% in the last month, but more could be on the way.

### The company has been growing at an incredible pace and more growth is expected

Seven Generations has seen production increase considerably over the years. In 2016, the company averaged about 150,000 barrels of oil equivalent per day (boe/d), which is almost five times the amount the company was producing when it launched on the TSX back in 2014. Production has further increased in 2017 and is expected to reach up to 185,000 boe/d in Q3 and over 200,000 boe/d in Q4 for an average of around 175,000-180,000 boe/d for the year. Production would have been higher for the year if not for an unplanned shutdown in August; the company had expected to average between 180,000 and 190,000 boe/d for the year.

### Large capital expenditure in 2017 continues

Seven Generations still plans further growth as it is still working on completing a capital-investment program, where the company would spend as much as \$1.6 billion in 2017 to improve efficiencies and create future growth opportunities. The Kakwa River Project is the company's prize asset, which is still in its early growth stages and has significant production potential and could be profitable even if prices are low.

## Strong top-line growth has resulted in an improved bottom line

The increase in production has translated well into the company's top line with sales up 132% in 2016 and having increased 157% over the past two years. In its most recent quarter, Seven Generations saw sales rise 62% year over year, while also posting a profit of \$178 million. In two of the past three quarters, the company has been able to post a positive net income figure.

## Should you invest in Seven Generations today?

The stock may be a bit expensive today with a price-to-earnings multiple of over 28, while companies like **Peyto Exploration & Development Corp** and **Advantage Oil & Gas Ltd.** trade at multiples of just 25 times earnings. However, Seven Generations is a long-term investment, and the company is not even 10 years old, with some very strong assets that could see a lot of future growth.

With the company already posting profits, it'll be interesting to see how high earnings will be able to grow in the coming quarters as production starts to ramp up even more. Seven Generations may not be a big player in the industry today, but that could change as the company continues to grow and expand its operations.

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