This Energy Stock Is Up 50%! Buy Now to Get Exposure to More Big Upside!

Description

Enerplus Corp. (TSX:ERF)(NYSE:ERF) stock, along with energy stocks in general, is rallying big time, up more than 50% in the last year, and looking to go higher as the price of oil holds the $70 mark and may yet climb higher.

Oil has now surpassed the psychologically important $70 threshold yesterday as the supply and demand fundamentals continue to drive prices up.

From the economic and political problems in Venezuela to turmoil in Iran to Saudi Arabia to general geopolitical risk and instability, the world's problems have clearly affected oil supply. The market is thus currently being driven by fear that this will not only continue, but also accelerate.

We continue to see sharply dropping Venezuelan oil production, which has already been halved from 2015 to below tw0 million barrels a day, and in March alone fell by 100,000 barrels per day.

Today we're seeing reports that rebels have fired missiles directed toward a Saudi oil facility, an event that follows conflict and geopolitical turmoil that's resulting in this premium being placed on the price of oil, as supply is increasingly at risk as conflicts heat up.

Against this backdrop, investors would do well to add quality energy stocks that stand to benefit greatly from the rise in prices.

Let's take a look at one such stock, Enerplus.

Enerplus has been a beacon of strength in the oil and gas sector.

A top-notch balance sheet, operating performance, and cash flow growth profile sets it apart from its peers.

With slightly less than half of its production coming from conventional crude oil and 90% of production coming from crude oil in general, this 3.4 billion oil and gas giant is benefitting from the sharp rise in oil prices.

The company's latest results show how much it is benefitting from this momentum, as the realized price increased 21% to $69.67, with netbacks also showing a 22% increase.

While production of 85,000 barrels of oil equivalent per day (boe/d) was pretty flat compared to last year's first quarter due to some expected downtime, the company is on track to meet its 2018 production target of between 86,000 and 91,000 boe/d, with 10% production growth expected through 2020.

So, the company reported a strong first quarter of 2018, with a 29% increase in funds from operations, strong production growth out of North Dakota, and a balance sheet that is in great shape.

The company's capital plans, which are fully funded, are expected to result in strong production and cash flow growth over the next few years, and management believes, as I do, that this is not reflected in its stock price.

In short, the stock is undervalued.

CATEGORY

1. Energy Stocks
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