



## This Oil Stock Just Increased its Dividend by 10%

### Description

**TORC Oil and Gas Ltd.** (TSX:TOG) stock popped +3% on Wednesday, while it has appreciated 66% from its 52-week low. The strength of the recent WTI oil price has pushed the stock of this oil-weighted producer higher.

### The business

TORC is focused on light oil assets with sustainable growth. It is among the top five companies with the highest netbacks when compared with 40 other [oil and gas peers](#). Subsequent to Q1, the company agreed to acquire some light oil assets in southeast Saskatchewan, which complement its existing operations.

As a result, TORC updated its guidance for this year from an average production of 23,000 barrels of oil equivalent per day (boe/d) to 24,700 boe/d and from an exit production of 23,800 boe/d to 27,000 boe/d. Its production mix is estimated to be 88% oil and liquids and 12% natural gas this year.



**Dividend hike? Yes, please.**

With [a positive outlook](#) and expected higher free cash flow generation, management has increased TORC's monthly dividend by 10%. Shareholders of record on May 30 will receive the bigger dividend payable on June 15.

### Interesting fact

The Canadian Pension Plan Investment Board (CPPIB) and insiders of the company own 25% and 4%, respectively, of TORC, which gives it a strong vote of confidence. Notably, the CPPIB has been reinvesting all of its TORC dividends back into the business, which indicates that it plans to invest in TORC for the long haul.

### Financially sound

TORC has a strong balance sheet and a debt to cap of ~14%. Assuming a WTI oil price of US\$60 per barrel, management estimates TORC's payout ratio to be 70%, that is, the payout ratio after accounting for maintenance and growth capital spending and the dividend. This equates to a net debt to cash flow of 1.3 times, which implies that TORC has a strong financial position.

After the acquisition, TORC's net debt would be \$395 million, and it expects its net debt to cash flow to be about 1.1 times. The company has \$400 million of bank facility, of which 42% was undrawn at the end of Q1.

### Dividend yield and near-term upside potential

At \$7.64 per share, TORC offers a yield of nearly ~3.5% and upside potential of 21% in the next 12 months according to the mean target from **Thomson Reuters Corp.**

### Investor takeaway

TORC is a quality oil-weighted producer with a strong balance sheet and a sustainable dividend that it just increased by 10%. It has a run-rate production of 26,200 boe/d and a corporate decline rate of 23%. In the next 12 months, you could potentially see total returns of almost 25% from the stock.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

### PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

### Category

1. Dividend Stocks

- 2. Energy Stocks
- 3. Investing

**Date**

2025/07/04

**Date Created**

2018/05/10

**Author**

kayng

default watermark

default watermark