Double Your Retirement Savings in 5 Years With This 1 Energy Stock

Description

There's good news for dividend investors in the energy sector. The dividend of **Vermilion** (TSX:VET)(NYSE:VET) just got juicier, as it crossed 14% territory. If you want to ramp up your retirement savings, you have the opportunity to double the amount through this energy stock.

Vermilion is down nearly 25% year to date, although trading has been brisk since mid-October. The yield is desirable, but you might be falling into a dividend trap. Nonetheless, the stock is worth watching because of the massive potential gains in store for you.

Responsible energy producer

Vermilion wants to be known as a responsible energy producer. The company believes that for the past 25 years, it has been sharing the best-in-class approach to a health and safety culture that is fully integrated into every facet of operations.

This $3 billion company is in the business of acquiring, exploring, developing, and producing petroleum and natural gas. Its operations are in North America, Europe, and Australia.

Vermilion anchors its business model on annual organic production growth, with the end view of providing reliable and increasing dividends. The company expects production growth from light oil and liquids-rich natural gas conventional resource plays in Canada as well as the U.S.

In Germany and the Netherlands, Vermilion is exploring and developing high-impact natural gas opportunities, while oil drilling and workover programs are in place in Australia and France.

Business performance

Vermilion's turnaround came in 2017 after two consecutive years of losses. In 2018, revenue grew by 48.9% to $1.5 billion compared with the previous year. Net income rose by 336% to $271.6 million in the same year.

Based on the current run-rate, revenue is on track to increase by 13.86%, with a corresponding 30.5% increase in profit. Meanwhile, analysts covering the stock are estimating a price appreciation of 29% to 91% in the next 12 months.

If you were to gauge Vermilion on recent performance, the stock is a strong buy. However, you should also consider the industry outlook before firming up your decision. The company says there is a dramatic change in the market environment for oil and gas, including the poor investment returns from energy users.

Management is confident the company can overcome the negative factors affecting the industry. Its advantage lies in the short investment cycle with minimal fixed commitments. Thus, Vermilion has the flexibility to adjust investment and growth levels to provide the combination of return of capital and growth.

In addition, Vermilion's hedging program serves the business well during volatile commodity cycles. The company continues to hedge for the remainder of 2019 and through 2022 actively.

A boon to retirement savings

Let's assume that you're five years away from retirement but with only $500,000 in retirement savings. With Vermilion's 14% dividend, you can catch up and bring your retirement fund closer to $1 million in five years. The amount is realizable if the yield remains constant.

Vermilion is giving no signs of a dividend cut. However, the company is phasing out and eliminating its dividend-reinvestment plan (DRIP) by Q4 2020 for the best interests of its broad investor group. Your decision to invest in Vermilion would probably depend on the urgency to hit your retirement fund target.

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