

ACT NOW: Buy This Cheap Canadian Value Energy Stock

### **Description**

ARC Resources Ltd (TSX:ARX) is one of Canada's leading conventional oil and gas corporations with average production in 2019 of 132,724 barrels of oil equivalent (BOE) per day.

ARC's business activities include the exploration, development and production of crude oil, natural gas and natural gas liquids in Alberta and British Columbia, Canada. ARC has focused on the acquisition and development of resource-rich properties that provide for both near-term and long-term growth.

The company has a price to earnings ratio of 16.40, a price to book ratio of 0.66 and market capitalization of 2.31 billion. Debt is very sparingly used at Arc Resources, as is evidenced by a debt to equity ratio of just 0.24.

The company has excellent performance metrics with an operating margin of 18.11% and a return on equity of 4.02%.

The company owns high-quality and long-life assets: ARC's <u>suite of assets</u> are substantially Montney and Cardium assets. ARC's Montney assets consist of world-class resource play properties concentrated in northeast British Columbia and northern Alberta.

The Cardium assets are located in the Pembina area of Alberta. These assets deliver stable production and contribute cash to fund future development and support ARC's dividend.

ARC provides returns to shareholders through a combination of a monthly dividend, currently \$0.05 per share, and the potential for capital appreciation.

ARC's long-term goal is to fund dividend payments and capital expenditures necessary for the replacement of production declines using funds from operations.

ARC plans to finance profitable growth activities through a combination of sources including funds from operations, proceeds from asset dispositions, debt capacity, and equity issuances.

ARC has expressed the desire to maintain prudent debt levels, targeting net debt between 1.0 and 1.5

times annualized funds from operations.

ARC maintains a risk management program to reduce the volatility of sales revenues and increase the certainty of funds from operations and is deliberate in securing takeaway for its products at optimal pricing.

The company's oil and gas properties are located in the Western Canadian Sedimentary Basin and onshore within the Canadian provinces of British Columbia and Alberta.

ARC recently announced a 2020 capital program of \$500 million. ARC plans to invest to substantially complete a major infrastructure and larger production base of approximately 155,000 to 161,000 BOE per day for ARC in 2020.

The company delivered average daily production of 134,813 BOE with a continued focus on the expansion of the high value liquids production in the Montney.

The company generated funds from operations of \$145.4 million (\$0.41 per share) in the most recent quarter and paid \$53.1 million (\$0.15 per share) in dividends.

ARC expects that production will increase in 2020 with final transportation arrangements at Sunrise that came into effect at the beginning of the fourth quarter of 2019 and all major planned turnarounds and associated downtime for the year now completed.

Full-year 2019 average daily production is expected to be near the midpoint of the guidance range of 136,000 to 142,000 BOE per day.

ARC Resources appears well positioned to be a leading energy producer focused on a strategy of risk managed value creation. Shareholders are rewarded for waiting as the company pays a generous dividend.

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