



## 3 Reasons Why This Canadian Energy Stock Has Been a 3-Bagger This Year

### Description

As far as sector-specific performance goes, energy stocks have outperformed this year. And one energy stock I think isn't getting much attention at all right now is **Paramount Resources** ([TSX:POU](#)).

This [little-discussed oil & gas player](#) is poised to do some great things — that is, should the energy sector continue to remain as robust as it's been.

For those bullish on energy in general, here's why Paramount is an intriguing choice today.

### Dividend potential a nice surprise for this energy stock

Recently, Paramount announced its intention to move ahead with a monthly dividend program. This will provide investors with \$0.02 per share every month from July on. Indeed, income investors seeking monthly dividend stocks may have Paramount show up on their stock screener.

This move not only broadens Paramount's potential investor base, but strengthens the thesis for all investors to own this stock. Income is an important portion of the total return all investors receive. Accordingly, this is something that's often overlooked by the market.

In addition to this dividend payout, Paramount has announced a share-repurchase program. The company is intending to repurchase as many as 7.3 million shares. For those looking for more capital appreciation, this is a good move.

Indeed, Paramount is a stock that has proven its willingness to return value to shareholders. Indeed, it's doing so in a big way. Accordingly, long-term investors seeking such plays in the energy space may like the value this company provides today.

### Improving fundamentals

As with any energy stock, assessing the fundamentals is of utmost importance. And in this regard, Paramount's balance sheet looks a lot better than before.

Some of this is due to rising energy prices. These are bullish for the entire sector.

However, Paramount has a number of company-specific catalysts that have improved this energy player's balance sheet.

The company's cash flow projections have been increased substantially of late, mainly due to rising commodity prices. Additionally, Paramount's cash balance has been bolstered by US\$67 million received from Strathcona Resources related to previous dissent proceedings.

These factors have bolstered the company's balance sheet at a time when forward-looking estimates for cash flows have improved. Accordingly, it's no surprise to see that Paramount stock has taken off of late. It appears the market is revaluing this stock closer to the broader sector. For long-term value investors, that's a great thing for those who'd bought this stock at lower levels.

Is more upside potential out there for Paramount stock? I think so. It's still early innings for the revaluation trade in the energy sector. Accordingly, investors would do well to consider niche plays like Paramount today.

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1. TSX:POU (Paramount Resources Ltd.)

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