



## 1 of the Best Canadian Energy Stocks Is Poised to Take Off

### Description

The energy sector has been on a kind of a roller-coaster ride lately. This sector was widely recognized as an [undervalued](#) one in the past year. Accordingly, energy stocks have performed very well relative to other sectors over the past year.

However, recent commodity price volatility (this time to the downside) in energy prices has some investors spooked. While [WTI oil](#) has rebounded to near US\$70 per barrel, the recent volatility appears to have spooked some investors.

That said, there are still some companies offering great upside potential. One stock I've had my eye on for some time is **Arc Resources** ([TSX:ARX](#)). Let's discuss why this could be a winner in today's market.

### Energy stocks lack growth, but not Arc

Generally speaking, the bull rush we saw into energy earlier this year assumed a tremendous amount of demand would come into the market. This higher demand was likely to spur commodities prices higher. Accordingly, producers would increase output to match demand, increasing profits.

We've seen this story sort of play out like expected. However, supply isn't as easy to bring back into the market — hence, the current energy price environment.

For companies like Arc that have been expanding via M&A activity, this is a great environment. The company's [purchase](#) of Seven Generations earlier this year created Canada's sixth-largest energy player. That's not bad.

I liked both businesses prior to the merger. The assets Arc acquired are top notch. Accordingly, I see Arc as a key beneficiary of this current environment.

While other energy producers may have trouble increasing output, Arc just added on a tremendous amount of capacity in one fell swoop. As a result of this deal, Arc is now the third-largest natural gas

producer. In terms of condensate production, this is the largest company.

I think this deal could provide opportunities for improved cost savings and better capital allocation. For long-term investors, that's a great thing.

## Bottom line

I think Arc Resources is simply one of the energy stocks investors can't ignore right now. This is a company with a diverse portfolio of various energy-related commodities. Additionally, these are mainly low-cost, world-class assets. Investors are getting a tremendous amount of value with Arc right now.

I think the company's debt-reduction plan to get to one to 1.5 times annual funds from operations is solid. Accordingly, I think Arc's future remains bright, relative to its peers.

For investors seeking the best of the Canadian energy stocks, Arc resources is a top-notch option right now.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. TSX:ARX (ARC Resources Ltd.)

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