



3 Turnaround Stocks That Are Staging a Comeback

Description

Most constituents in the energy sector benefit from rising oil prices. **Whitecap Resources** ([TSX:WCP](#)), **Vermilion Energy** ([TSX:VET](#))([NYSE:VET](#)), and **Enerplus** ([TSX:ERF](#))([NYSE:ERF](#)) are [turnaround stocks](#) in 2021, but their comebacks aren't over. Expect them to soar further if oil continues to post multi-year highs.

Oil prices hit US\$79 per barrel on October 5, 2021 — the highest level since 2014. The sudden surge stems from OPEC's decision to maintain modest production output. It started a buying frenzy among traders. Meanwhile, natural gas prices rose by 10% — the highest level since December 2008.

Louise Dickson, a senior oil markets analyst at Rystad Energy, said there could be a tight supply in the last two months of the year. Thus, energy stocks are likely to continue their [upward trend](#).

Sustainable business model

Whitecap's financial and operational results in Q2 2021 were exceptional. The \$4.56 billion company reported record production of 116,799 boe/d, or 65% higher than Q2 2020. The \$227 million of free funds flow during the quarter enabled management to increase Whitecap's monthly dividend by 8%.

Net income in the first half of 2021 was \$38.2 million compared to the \$2.2 billion net loss in the same period in 2020. According to management, Whitecap's sustainable business model has become stronger following three significant acquisitions, including TORC Oil & Gas. At \$7.26 per share, investors are up 53.2%. The corresponding dividend yield is 2.69%.

High-quality assets in core regions

Vermilion Energy is a high flyer with its 151.4% gain thus far in 2021. The current share price of \$14.28 is 330.1% higher than a year ago. Had you invested \$10,000 on October 5, 2020, your money would be worth \$43,012.05 today. Apart from North America, this \$2.22 billion energy producer operates in Europe and Australia.

The investment thesis for this energy stock is its international exposure and a free cash flow-oriented business model. Vermilion's production growth comes primarily from exploiting light oil, and liquids-rich natural gas conventional resource plays in North America.

Vermilion also has growth catalysts in high-impact natural gas opportunities in Germany and the Netherlands. The company has oil drilling and workover programs in Australia and France as well as a working interest in a gas field in Ireland. In the first half of 2021, sales growth in North America was 55.1% compared to the same period in 2020.

Returns and value focused

Enerplus trades at \$10.64 per share and pays a modest 1.44% dividend. Performance-wise, the year-to-date gain is 172.1%, while the trailing one-year price return is 329%. This energy stock carries a strong buy rating, with market analysts projecting a price appreciation of 19.5% to \$12.65 in the next 12 months.

The \$2.71 billion independent exploration and production company develops high-quality, capital-efficient assets. Besides Western Canada, Enerplus's portfolio includes light oil assets in North Dakota and Montana. It also maintains a position in a natural gas shale play in northeast Pennsylvania.

Enerplus is on the rebound, as evidenced by the financial results in the second half of 2021. The net loss is down 96.3% to \$44.9 million from \$606.4 million in the same period in 2020. Management expects a cumulative cash flow between \$1.5 billion and \$2 billion from 2022 to 2025.

Pros and cons

High oil prices are good for energy stocks and investors. However, if prices swell further, it could fuel [inflation](#) and stall the economic recovery.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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2. NYSE:VET (Vermilion Energy)
3. TSX:ERF (Enerplus)
4. TSX:VET (Vermilion Energy Inc.)
5. TSX:WCP (Whitecap Resources Inc.)

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