1 More Reason to Buy This Canadian Energy Stock

Description

Vermilion Energy (TSX:VET)(NYSE:VET) is an international gas- and oil-producing organization that engages in full-cycle production and exploration programs. These programs focus on optimizing, acquiring, developing, and exploring producing properties in Australia, North America, and Europe.

The sale and production of natural gas and petroleum account for most of this company's revenues. In every market, Vermilion depends on a range of techniques for drilling and well completion to keep its production at impressive levels.

Right now, there appears to be one more reason to grab this energy play.

First dividend payment in almost two years

A few days back, Calgary-based gas and oil producer Vermilion Energy declared that its board of directors approved a $0.06 per share quarterly dividend. This dividend will be paid on Apr. 18 to shareholders of record on Mar. 31.

Notably, this dividend payment will be the company's first in approximately two years. Following the pandemic and the plunge in energy prices, Vermilion was among the companies that cut, then eliminated, its dividend. However, times have changed.

Energy prices have soared to more than US$100 per barrel from negative levels following the pandemic. This turnaround in the energy sector has been among the most impressive I've seen. Accordingly, investors in Vermilion appear to be enticed by this move.

The company appears to believe that it has enough cash flow to support debt repayment, growth, and the return of capital to shareholders. Overall, this is a bullish signal to the market that Vermilion is back.

More optimism for this energy stock

Vermilion recently provided its financial results (operating and condensed) for the year ended Dec. 31, 2021. These results were very impressive.

The company noted that funds from operations surged 83% to $920 million this past year. Free cash flow also surged to $545 million — a 304% year-over-year increase. These sorts of returns aren't trivial, and aren't easy to achieve. Of course, higher energy prices are responsible for a majority of these improvements. However, improved corporate discipline is another factor that's clearly worked in Vermilion's favour.

Vermilion is now a company with a much better balance sheet. This energy producer has cut its net debt by $365 million, with long-term debt reductions of $282 million making the majority of this move. For those bullish on the company's long-term cash flow prospects, this is a very good thing.

Vermilion still has $1.6 billion of net debt on its books. However, it's moving in the right direction.

Bottom line

Vermilion's appeal of late has been this company's high-leverage exposure to energy prices. However, as the company reduces debt and grows its cash flow, Vermilion could become a great fundamental option. Oil prices will need to remain elevated for this to happen. However, it's clear why there's so much interest around this energy stock right now.

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