



1 More Reason to Consider Vermilion Energy

Description

One of the best-performing energy stocks on the TSX over the past year has been **Vermilion Energy** ([TSX:VET](#))([NYSE:VET](#)). Indeed, Vermilion's status as a three-bagger over this time frame vastly outperforms the overall market. For investors looking for energy stocks with momentum, this is certainly an interesting option to consider.

Much of this recent momentum has arisen due to Vermilion's [reinstating](#) of its dividend. While this [dividend](#) is very small at only \$0.06 per quarter (or a yield of 0.2%), this signals the company's moving in the right direction once again.

For investors looking for cash flow growth (and potentially dividend growth), Vermilion Energy is an interesting choice. Here's one more reason why I think Vermilion should be given consideration from investors right now.

Vermilion Energy focused on growth

Vermilion's decision to reinstate its dividend is certainly a bold one. This company is one that ran into cash flow troubles during the recent bear market in energy. However, with energy prices surging, the dynamics have completely changed for this company.

This Calgary-based oil and gas company has decided to get back in the M&A game. Specifically, Vermilion Energy recently announced a major \$477 million acquisition of Leucrotta Enterprise. This company is a natural gas exploration and development player focused on key properties in Alberta and northeastern B.C.

These assets complement Vermilion's existing operations well. The company believes this combination will lead to "decades of inventory," given Leucrotta's core Western Canadian assets. Vermilion expects this company to operate as a self-managed subsidiary, making this deal rather hands-off.

Overall, I think the way this deal is structured is also attractive. Vermillion has structured a cash and equity deal, which also involves warrants. Thus, if Vermilion does well, shareholders of Leucrotta will

similarly benefit. Overall, this deal provides better risk management and greater upside in what could be an extended bull market.

Further, it's expected that Leucrotta's assets will allow Vermilion to increase its production by roughly 13,000 boe/day next year. Given where energy prices are now, this is a big deal — particularly so for those factoring in cash flow growth in the future.

Bottom line

Like other energy stocks, Vermilion Energy is riding the wave of higher energy prices. How long this bull market in energy will remain intact is to be seen. However, there's a lot to like about this recent deal.

Accordingly, I think Vermilion is a stock investors may want to put on the watch list right now. This is a company I intend to follow, as the energy market continues to evolve.

CATEGORY

1. Energy Stocks
2. Investing

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