



Don't Ignore This Energy Stock's Small Dividend

Description

Enerplus ([TSX:ERF](#))([NYSE:ERF](#)) develops and produces natural gas and crude oil assets in the U.S. and Canada. Most of the company's oil production is derived from the Waterfloods and Williston basins, with the Marcellus region being responsible for a considerable part of its natural gas production. Accordingly, many investors view Enerplus as a mid-cap option in the energy sector.

However, this company also pays out a small but meaningful [dividend](#). Currently, the company's [yield](#) sits at around 1%.

Let's dive into why investors may not want to overlook this dividend.

Looking at the big picture

Enerplus is certainly an interesting company to consider in the energy sector. Like other major producers, Enerplus stock has rallied in a big way of late, boosted by higher commodity prices. This stock is now back to pre-pandemic levels, trading around highs not seen since 2018.

That said, this company has also been delivering increasing dividends to shareholders. Now, Enerplus did start off of a very small base. However, the company has quadrupled its dividend payout over the past year. Those bullish on this company's ability to generate cash flow growth may like the trajectory this company is on.

In addition to developing key energy assets, the company also has worked to acquire the right to use assets via royalties paid to mineral rights owners, government entities, and landowners. Accordingly, Enerplus's growth profile remains unlimited relative to its ability to find projects.

Overall, the bull market in commodities appears strong. Despite a rather impressive downturn following the pandemic, improved supply and demand fundamentals has been the tide that's brought all boats higher. Accordingly, investors looking for exposure to this space may be looking for mid-cap options with better upside. I think one such option is Enerplus, which is trading at only 14 times earnings.

Bottom line

Investors looking at the energy space, in Canada or around the world, have a wide array of options to consider. In this regard, it's hard to pinpoint exactly why Enerplus may fit within many investor portfolios.

However, the company's aggressive dividend-growth strategy is something I've got my eye on. Any company that grows its dividend four-fold in the matter of the year is one I want to watch. That's because there's likely more where that came from. Cash flows are surging in this space.

Indeed, energy prices may be unsustainably high. Perhaps a recession is around the corner, as indicated by the recent yield curve inversion. That's a risk all investors need to deal with right now.

However, in the energy space, I like companies with improving balance sheet and increasing dividends over time. Enerplus is certainly an intriguing option for investors in this regard.

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Author

chrismacdonald

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