



## Time to Buy Vermilion Energy Stock?

### Description

**Vermilion Energy** ([TSX:VET](#))([NYSE:VET](#)) just reported Q1 2022 results. Investors who missed the big rally off the 2020 lows are wondering if VET stock is still [undervalued](#) and if more upside is on the way.

### Vermilion Energy overview

Vermilion Energy is an oil and natural gas producers with operations located in Europe, Canada, the United States, and Australia. The company was previously known for its European assets that were attractive to investors, because the production was sold at higher international prices than what Canadian producers get for their oil and natural gas. Management then pivoted to focus more on light oil and liquids rich natural gas plays in Canada and the United States.

The company went through some challenging times in the past eight years when oil and natural gas prices tanked. This forced Vermilion Energy to slash its dividend and the share price plunged from \$78 per share in 2014 to about \$3 near the bottom in 2020. The rebound in energy prices over the past two years has put a new tailwind behind the share price. VET stock currently trades near \$24 per share. It was as high as \$30 in March.

### Vermilion Energy Q1 2022 results

Vermilion Energy generated \$390 million in funds flow from operations and free cash flow of \$305 million in Q1 2022, up 21% and 73%, respectively, over the previous quarter. Net earnings came in at \$284 million, down from \$345 million in Q4 2021 due to unrealized hedging losses.

As of May 2, the company had 40% of its remaining 2022 production hedged at various prices.

Vermilion Energy continues to use the cash windfall from higher oil and gas prices to pay down debt. The company's net debt position dropped \$280 million to \$1.4 billion in the quarter. Management expects to finish the year with net debt of \$1.1 billion.

The rebound in commodity prices enabled Vermilion to restart its dividend program. The quarterly payout of \$0.06 per share provides an annualized return today of about 1%. As net debt continues to drop, investors should see additional increases to the distribution.

Vermilion Energy's balance sheet improvements have enabled it to reduce its bank facility to \$1.6 billion from \$2.1 billion. The company is also starting to make acquisitions again to boost revenue and cash flow. Two recent deals will result in 16% higher 2022 exit production than was previously anticipated.

Production rose 2% in Q1 2022 compared to Q4 2021 with gains in Canada, Germany, and Australia. The newly added Canadian assets will eventually boost output, but Vermilion Energy warned that Q2 production will probably be lower than Q1 output due to planned turnaround activity.

## Should you buy Vermilion Energy stock now?

The easy money has already been made, so investors need to be careful when putting new money to work in the oil and gas sector today. That being said, Vermilion Energy is getting its balance sheet back in shape, and investors could see the share price move back to \$30 if oil and natural gas prices remain elevated.

At this point, however, I would probably look for energy names that are already providing attractive dividend yields and are in a better position to provide large distribution increases and aggressive share buybacks in the near term.

### CATEGORY

1. Energy Stocks
2. Investing

### TICKERS GLOBAL

1. NYSE:VET (Vermilion Energy)
2. TSX:VET (Vermilion Energy Inc.)

### PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

### PP NOTIFY USER

1. aswalker

2. kduncombe

**Category**

- 1. Energy Stocks
- 2. Investing

**Date**

2025/08/24

**Date Created**

2022/05/12

**Author**

aswalker

default watermark

default watermark