Is ARC Resources the Best TSX Energy Stock to Buy Today?

Description

Shares of **ARC Resources** (TSX:ARX) continue to outperform the broader market by a wide margin in 2022. At the time of writing, ARX stock is trading with 33.6% year-to-date gains at $14.48 per share after delivering a solid 92% positive return in 2021. By comparison, the **TSX Composite Index** is down nearly 12% year to date, as the broader market selloff recently picked up the pace due to growing concerns about a near-term recession. Let's find out whether ARX stock could still be one of the best energy stocks to buy on the TSX today.

ARC Resources's improving financial growth trends

ARC Resources is a Calgary-based oil and gas company with a market cap of about $9.6 billion that primarily focuses on the production of natural gas, natural gas liquids, condensate, and crude oil. In 2021, natural gas accounted for nearly 44% of its total revenue, while nearly 41% came from the condensate segment.

During the COVID phase, ARC Resources faced several operational challenges amid a sudden crash in the prices and demand for energy products. In February 2021, ARC announced its merger with its home market peer, Seven Generations Energy. This merger helped the combined company capture about $190 million in synergies during the full year 2021 — significantly higher than its initial expectations of $110 million in annual savings.

As a result of these synergies, ARC Resources's annual average production reached a record 302,003 barrels of oil equivalent per day in 2021. That year, the Canadian energy firm reported a massive 381% YoY (year-over-year) jump in its total revenue to $5.1 billion, which helped it post $1.25 per share in adjusted earnings compared to a loss of $1.55 per share in the previous year. This was one of the key reasons why ARX stock jumped by 91.7% in 2021.

Is ARX stock the best TSX energy stock to buy today

Growing economic activities in 2022 led to a big surge in demand and prices for energy products, raising the profitability outlook for ARC Resources. As a result, ARX stock started 2022 on a strong bullish note by posting solid 46% gains in the first quarter.

Emerging fears of a near-term recession, however, drove WTI crude oil down by about 8% in June. This also hurt energy investors' confidence, pulling ARC's stock price down by nearly 15% last month and erasing all its gains for Q2. The stock has extended its losses in July so far as prices for energy products continue to ease further. While ARX stock is maintaining double-digit year-to-date gains, it's more than 30% off its June month highs, making it look cheap to buy for the long term.

While ongoing uncertainties about near-term global economic growth could keep the shares of ARC Resources volatile in the near term, its significantly improving fundamentals — especially after its merger with Seven Generations Energy — could help it recover fast. Moreover, its continued capital discipline, low-cost operations, and strengthening balance sheet make it one of the best TSX energy stocks to buy after its recent dip to hold for the long term.

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