



Got \$5,000? 1 TSX Energy Stock to Turn it Into \$10,000

Description

People make money in the stock market by buying low and selling high. But in the current investment landscape, exposure to the [energy sector](#) is highly profitable. Oil and gas companies benefit from elevated oil prices and deliver tons of profits. Also, most of the top price performers on the **TSX** this year are energy stocks.

Crew Energy, **Obsidian Energy**, and **Athabasca Oil** are among the high flyers. Their year-to-date gains are 122%, 121.1%, and 108.4%, respectively. It means that the money of investors who bought any of the three stocks on year-end 2021 is more than double today.

If you have \$5,000 to invest right now, you can also turn it into \$10,000. Aside from the names mentioned above, **Vermilion Energy** ([TSX:VET](#))([NYSE:VET](#)) is another money-making option for Canadian investors. Your advantage with this energy stock is that it's also a dividend payer, and you can earn two ways: price appreciation and dividend payouts.

Stock performance

As of August 19, 2022, Vermilion Energy trades at \$33.11 per share. The trailing one-year price return is 353%, while the year-to-date gain is 109%. Had you invested \$5,000 a year ago, your money would be \$22,647.06 today. Assuming you'd bought the stock on December 31, 2022, your investment is worth \$10,547.99 if you sell right now.

Reinstatement of dividends

Vermilion was a known dividend payer until crude prices collapsed in 2020 due to the oil price war and the global pandemic. Management had to suspend dividend payments to preserve cash and protect the balance sheet. However, in late November 2021, it announced the reinstatement of dividends effective April 2022.

Because of the strong start to 2022, including strong free cash flow generation and continued debt

reduction, Vermilion is well positioned to increase the return of capital to its shareholders. The quarterly cash dividend (\$0.06 per share) payment was on April 18, 2022, and the total amount paid to shareholders represents 3% of funds flow from operations.

Improving financial position

The financial position of the \$5.43 billion international energy producer keeps improving, as evidenced by the earnings results in the second quarter (Q2) of 2022. In the three months ended June 30, 2022, petroleum and natural gas sales increased 111% to \$858.84 million versus Q2 2021. Net earnings, however, declined 20% to \$362.62 million.

Notably, free cash flow (FCF) grew 262% year over year to \$339.75 million, while funds flow from operations jumped 162% compared to Q1 2021. The FCF of \$644.27 million in the first half of 2022 is 274% higher than in the same period in 2021. As a result of the robust cash flow, Vermilion announced a 33% dividend hike for Q3 2022.

According to management, dividends will remain a key component of its return-of-capital framework. Vermilion commits to providing shareholders with a resilient and increasing base dividend.

However, it pegs the cap on the annual cash dividend to about 10% of the mid-cycle funds flow from operations. Still, would-be investors can expect a growing dividend from here on. Vermilion's current dividend yield is 0.97%.

Double your money

Stock investments usually double over time. However, the situation in the energy sector today is quite different, and your money could double in less than a year due to elevated crude oil prices.

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