



Up 62%, ARC Resources Stock Is Still a Screaming Buy for the Long Term

Description

ARC Resources ([TSX:ARX](#)) continues to be one of the top-performing TSX Composite components in 2022. ARX's stock price has risen by nearly 62% this year so far to \$18.58 per share against a 6.4% drop in the Canadian market index. Before I explain why this Canadian [energy stock](#) could still be worth buying, despite its solid year-to-date rally, let's take a quick look at its business model and recent stock price movement.

ARC Resources stock price movement

ARC Resources is a Canadian oil and gas firm with a market cap of about \$12.2 billion. The company primarily focuses on unconventional crude oil, condensate, natural gas, and natural gas liquids production in Western Canada. Based on its 2021 financial figures, the company generated 44% of its total revenue from the natural gas segment, while another large portion of about 41% came from the condensate segment.

In 2020, energy sector-wide operational challenges drove ARC Resources's total revenue down by 7.3% YoY (year over year) to \$1.1 billion. That year, the company burnt \$547.2 million in cash after a sudden crash in oil demand led to a steep decline in oil and gas prices during the global pandemic phase. This is one of the key reasons ARX stock dived by 26.7% to \$6 per share in 2020.

Nonetheless, ARC Resources staged a spectacular financial recovery in 2021 with the support of easing restrictions on physical activity and a much stronger-than-expected demand recovery. These were the key factors the company registered a solid 354% YoY jump in its total revenue for the year to \$5.1 billion. Similarly, its 2021 adjusted earnings stood firm at \$1.25 per share, crushing Street analysts' consensus estimate of just \$0.75 per share by nearly 67%. This strong post-pandemic financial recovery helped ARX stock surge by 91.7% in 2021 to \$11.50 per share.

Recent fundamental drivers

ARC Resources is continuing to maintain its strong financial growth trend in the ongoing year. In the

June quarter, the company reported a record free funds flow of \$677 million, reflecting a massive 67% increase over the previous quarter. Amid consistently rising demand, the company's revenue rose by 92% YoY to \$2.4 billion in the second quarter (Q2). Strong demand and commodity prices pushed its adjusted earnings for the quarter to \$1.13 per share, helping it beat expectations of around \$0.79 per share.

Last year, ARC Resources firm [entered](#) its first long-term gas supply agreement with an LNG Canada participant. This agreement required ARC Resources to deliver about 150 million cubic feet per day of natural gas from its northeastern British Columbia-based Sunrise facility. This deal is likely to play a critical role in maintaining ARC's strong financial growth trend intact in the coming years.

Stable dividends

Apart from its strong business growth trends and an excellent portfolio of world-class assets in the energy sector, ARC Resources also rewards its investors with reliable [dividends](#) with the help of its robust cash flow. At the current market price, it has a decent dividend yield of around 2.6% and distributes its dividend payouts on a quarterly basis. Given all these positive factors and outlook, long-term dividend investors may consider buying it to earn passive income, despite its big year-to-date gains.

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