



Two Things to Watch in Canadian Oil Sands' Second-Quarter Earnings

Description

By: Dave Van Geem

Canadian Oil Sands (TSX:COS), the largest owner of the Syncrude Project in the Athabasca oil sands deposit in Alberta, reports second-quarter earnings Tuesday. Here's a quick profile of two things to watch for:

Earnings

COS is currently yielding 6.7% on a dividend of \$1.40. Last time around, it reported the following results, and said unexpected outages at its upgrader and in the mining area hurt production volumes:

Highlights	First quarter 2013	First quarter 2012
Cash flow from operations (\$ millions)	\$275	\$454
Cash flow from ops per share	\$0.57	\$0.94
Net income (\$ millions)	\$177	\$318
Net income per share	\$0.37	\$0.66
Sales volumes: Total (mmbbls)	8.6	9.8
Sales volumes: Daily average (bbls)	95,683	108,108
Realized SCO selling price (\$/bbl)	\$96.11	\$97.07
Operating expenses (\$/bbl)	\$41.20	\$32.58
Capital expenditures (\$ millions)	\$268	\$141
Dividends (\$ millions)	\$170	\$145
Dividends per share	\$0.35	\$0.30

Source: Canadian Oil Sands first-quarter [report](#).

Investors should start by looking closely at the sales volumes. With repairs completed last quarter, the daily average volumes should be approaching 110,000 bbls/day. Canadian Oil Sands should see improvements in operating expenses as well.

Capital expenditures

The company has undertaken a number of multi-year capital projects. At the end of the first quarter, management reported the following:

Project	Total Cost Estimate (\$Billion)	Estimate Complete Q1 2013	In Service Target Date
Mildred Lake Mine Train Replacement	\$1.6	45%	Q4 2014
Aurora North Mine Train Relocation	\$0.4	60%	Q1 2014
Aurora North Tailings Management	\$0.3	75%	Q4 2013
Centrifuge Tailings Management	\$0.7	15%	H1 2015

Source: Canadian Oil Sands company statements.

On Tuesday I'd like to see continued progress on all four — without any surprises in cost projections. Notably, Aurora North should come in at 85% complete or higher to ensure commissioning on time. This project can be seen as a bellwether representing how well the company is managing projects.

The final word

Canadian Oil Sands is in the midst of four expensive capital refurbishment projects. In my view, executing on these expensive projects — on time, on budget — while maintaining current production will be key to ensuring the health of the company moving forward.

Do you like the fact that Canadian Oil Sands pays an attractive dividend? Want more dividend paying stocks like COS in your portfolio? To help take the guesswork out of dividend investing, The Motley Fool assembled a Special **FREE** Report, "**13 High-Yielding Stocks to Buy Today**". [Simply click here](#) now to receive a copy at no charge!

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Fool contributor Dave Van Geem owns shares of Canadian Oil Sands. The Motley Fool doesn't own shares in any of the companies mentioned.

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