



## What's Up With Talisman?

### Description

In the last five days, **Talisman** (TSX:TLM, NYSE:TLM) shares have increased over 8% on very heavy volume. The average daily volume in the last three months is 2.5 million shares, and in the last few days volume averaged 7.5 million shares. So what is causing this interest in the shares?

We know that with negative free cash flow and a deteriorating balance sheet, the company has been actively looking to sell some of its assets in an attempt to raise cash and focus its operations. Management has started a sales process for its Norway, Montney, and North Duvernay assets as well as its Ocsa oil pipeline in Columbia. The CEO has said in March that he wants to raise as much as \$3 billion from asset sales or joint ventures over 12 to 18 months to reduce debt and streamline the company. But as we know, deal flow has slowed in the industry and Talisman has not seen much interest. So given this, Talisman has put its oil stake in Kurdistan for sale in the hopes that this asset will see more interest. These assets are valued at somewhere around \$1 billion.

And recently, Talisman's CEO, Hal Kvisle was quoted in the Wall Street Journal as saying that "we are not actively seeking a buyer for the company, but if people were to express interest we would not reject in out of hand". Sounds to me like Talisman may be trying to attract a buyer.

The sum of the parts valuation is much higher than where the stock is currently trading at. Estimates are in the low \$20s. **Shell** (NYSE: RDS.A) would be a logical buyer, as it has a 40% stake in Kitimat, the liquefied natural gas project in British Columbia, where Talisman operates and will export gas from fields such as the Montney. And it also has fields in the North Sea so there is also an overlap there.

### Bottom Line

The market is telling us that something may finally be about to happen at Talisman that will generate value for its shareholders. The million dollar question is whether it is the sale of some of its assets or of the whole company.

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*Fool contributor Karen Thomas owns shares of Talisman. The Motley Fool does not own shares in any companies mentioned.*

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## Author

karenjennifer

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