



Why Coastal Energy Shares Rebounded

Description

Although we don't believe in timing the market or panicking over market movements, we do like to keep an eye on big changes — just in case they're material to our investing thesis.

What: Shares of oil exploration and production company **Coastal Energy** (TSX: CEN) soared 27% today after Spanish counterpart Cepsa agreed to acquire it for about \$2.3 billion.

So what: The all-cash deal values Coastal at \$19 per share and represents a juicy premium of about 28% to its closing price on Monday. Cepsa is making the move to expand its E&P capabilities in Southeast Asia, and given Coastal's [share-price plunge last week](#), management has sure found an opportune time to do it.

Now what: Cepsa will incorporate a newly controlled entity for the purchase in which investment firm Strategic Resources will be an investor. "Coastal's business comprises a high-quality portfolio of upstream assets located in Southeast Asia, operated by talented management and dedicated employees," Cepsa CEO Pedro Miro [said in a statement](#). "We believe that Coastal provides a tremendous foundation for furthering our E&P strategy." Given the overwhelming support for the sale by Coastal insiders, as well as the steep \$75 million termination penalty it faces if the Board does withdraw, I think it's fair to say that the deal is all but closed at this point.

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bpacampara

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