



What to Watch for When Imperial Oil Reports Next Week

Description

Imperial Oil ([TSX: IMO](#)) is set to post its latest quarterly earnings report on Thursday. Chief Executive Rich Kruger is embarking upon an ambitious growth campaign at the oil sands behemoth, with plans to double the company's production over the next decade. But with so much riding on this expansion, shareholders need to watch quarter by quarter to see if he can deliver.

Let's review what has been happening at the company over the past few months and what investors can expect in the upcoming earnings report.

Stats on Imperial Oil

Analyst EPS Estimate \$1.16

Year Ago EPS \$0.93

Revenue Estimate \$9.96B

Change From Year-Ago Revenue 24.30%

Earnings Beats in Past 4 Quarters 1

Source: Yahoo! Finance

Will Imperial deliver for investors this earnings season?

Don't look now, but the oil sands have staged a bit of a comeback. Thanks to unusually cold weather

and improved takeaway capacity out of Alberta, the price of oil sands bitumen is roaring higher. Over the past six months the discount for Western Canadian Select relative to West Texas Intermediate has been cut in half to less than \$19 per barrel.

As you might expect, higher energy prices bode well for producers like Imperial. Over the past three months, Bay Street has increased its consensus earnings estimate for the quarter by 17% to \$1.16 per share. For the full year, analysts are looking for the company to earn an extra \$0.34 to \$4.58 per share.

What is the real number investors will be watching? All eyes are on the daily production figure from the company's Kearl oil sands project.

The first phase of Kearl's construction was plagued by delays and cost overruns. Original plans to ship large components along U.S. highways north to Fort McMurray, Alberta, were halted by regulators, forcing the company to ship units in smaller, more frequent trips. Investors are worried that phase two of the project's construction, which is targeted to add 110,000 bpd of capacity by 2015, could face similar problems.

Nearly one year after production started at the mega-facility, Imperial is still struggling to work out the kinks at its new \$29 billion bitumen mine. During the first quarter of the year, Kearl production averaged 70,000 barrels per day, or bpd. While that was up from an average of 52,000 bpd per day during the previous quarter, it's still far below the mine's 110,000 bpd full capacity.

While management believes these costs can be recouped in future debottlenecking initiatives, operating costs are already far higher than the \$20 per barrel the street was expecting. Most analysts are now looking for operating costs at Kearl to come in at U.S. \$29-32 per barrel, falling to U.S. \$19-23 once the mine is at full capacity.

Investors are also worried about the status of the company's other major projects. Notably, management has admitted that its target start-up date at the company's Cold Lake, Alberta oil sand mine is also 'under pressure'.

Foolish bottom line

In Imperial's conference call, listen for guidance on whether the company will be able to bring in Kearl and its other oil sand projects on time and on-budget. Given that the stock is nearing 52- week highs, the bar is set awfully high going into this report.

CATEGORY

1. Investing

Category

1. Investing

Date

2025/07/06

Date Created

2014/04/24

Author

rbailleul

default watermark

default watermark