



## Earnings Preview: Can Imperial Oil Limited Deliver for Shareholders?

### Description

**Imperial Oil Limited** ([TSX: IMO](#))([NYSEMKT: IMO](#)) is scheduled to publish its latest quarterly earnings report today. With Chief Executive Rich Kruger leading an ambitious expansion at the oil sands giant, the company is on track to double its oil production over the next eight to 10 years. However, with the stock already trading at a premium in anticipation of that growth, investors will need to watch month by month to see if the company can deliver.

Let's take an early peek at what has been happening at the company over the past few months and what we can expect in the upcoming report.

### Stats on Imperial Oil

<b>Analysts' EPS Estimate</b>	\$1.06
<b>Year-Ago EPS</b>	\$0.34
<b>Revenue Estimate</b>	\$10.26B
<b>Change From Year-Ago Revenue</b>	28.90%
<b>Earnings Beats in Past Four Quarters</b>	1

*Source: Yahoo! Finance*

### Can Imperial Oil deliver for shareholders this quarter?

What a difference a year makes. Thanks to improved pipeline capacity out of Alberta and the ramping up of crude-by-rail transit, the oil sands have staged a massive comeback. As a result, the discount for Western Canadian Select relative to West Texas Intermediate has been cut in half to less than \$20 per barrel.

Predictably, this has boosted the top line for Canada's oil majors like Imperial Oil. In the upcoming quarter, analysts are expecting the company to report a profit of \$1.06 per share, a full threefold increase over what the firm earned during the same period last year. Imperial's shares have been trading higher in lockstep, up 30% over the past 52 weeks.

However, all eyes will be on the company's Kearl oil sands facility. Just over a year since operations began at the mega-project, Imperial has struggled to ramp up production at the \$29 billion bitumen mine. Last quarter, Kearl's output averaged 70,000 barrels per day, far below the mine's potential capacity.

This isn't the first time Imperial has reported problems at Kearl. During the mine's construction, original plans to ship large components along U.S. and Canadian highways were halted by regulators. The company was forced to make smaller, more frequent trips, resulting in billions of dollars in cost overruns. Investors are worried that similar issues could arise during the second phase of the mine's construction.

Management expects to recoup these cost overruns in future process improvement initiatives, and most analysts on the street expect the mine's average operating costs to come in between \$29 and \$31 per barrel. However, this is still well above the industry average, and far higher the \$20 per barrel originally forecast.

In Imperial's report, look for signs of further delays at its Kearl oil sands facility. Because the company has a good reputation among investors, the stock still commands a premium valuation. However, any further problems could put that reputation at risk.

## CATEGORY

1. Investing

## TICKERS GLOBAL

1. NYSEMKT:IMO (Imperial Oil Limited)
2. TSX:IMO (Imperial Oil Limited)

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