



## 3 Things Encana Corporation's Management Wants You to Know

### Description

**EnCana Corporation's** (TSX: ECA)(NYSE: ECA) management team has a very specific message for its investors. It has a vision to become a leading North American oil and gas resource play company. Moreover, it has the strategy to get there as it has a disciplined focus to generate profitable growth. Finally, the strategy and vision are done with one goal in mind, to grow shareholder value. Let's take a closer look at what the company's management team has to say about each of these areas.

#### 1. Vision

EnCana's vision to be a leading oil and gas resource company means that it will pursue operational excellence as well as have ample optionality within its portfolio. The company is making a lot of progress on fulfilling that vision according to CEO Doug Suttles. On the company's second-quarter conference call he said:

"As we head into the second half of 2014, we remain focused on our disciplined and focused capital program. Our pre-hedge upstream operating cash flow is expected to be up about 70% year-over-year. We expect to accelerate high margin growth plays. We remain on track to make a decision on the commerciality of the TMS by year-end and we expect to have significantly advanced our appraisal of Willesden Green in the Duvernay."

#### 2. Strategy

In order to pursue EnCana's vision, its strategy includes allocating capital to high returning and scalable assets while also accelerating liquids production growth. That strategy has had EnCana actively reshuffling its portfolio this year. According to Suttles:

"All of the transactions we have executed over the last few months were undertaken with the goal to accelerate the transition of our asset base to a more balanced commodity mix,

increase our margin and sharpen our focus on our core business...

Through our acquisition in the world class Eagle Ford shale, we have reinvested the proceeds from these natural gas weighted assets into a growth property with superb margins, low development risk and expected free cash flow generation in 2014.”

Needless to say, the company is following its strategy playbook very closely.

### 3. Goal

As EnCana’s strategy pursues its vision the company will accomplish its goal, which is to grow shareholder value. This includes growing its cash flow per share, having an investment grade credit rating and paying a growing dividend. In detailing Encana’s progress toward this goal CFO Sherri Brillion said:

“EnCana’s balance sheet is significantly stronger than it’s been in recent history, due not only to the cash proceeds received from recent divestitures, but also because we’re no longer out-spending our cash flow. In fact, we expect to generate free cash flow of about \$500 million in 2014...”

Net debt to debt adjusted cash flow was 1.0x at the end of the quarter compared to 1.5x at year end and debt to adjusted capitalization was 29% compared to 36% at year end. Further reinforcing our strengthening balance sheet, the rating agency outlooks for Encana credit have improved over the past six months.”

The most impressive part of that quote is the fact that Encana is no longer outspending its cash flow, and is actually cash flow positive. Clearly, Encana has made tremendous progress toward its goal to grow shareholder value.

### Investor takeaway

EnCana’s management wants its investors to know that the company is focused on a vision and strategy that were built to achieve the goal of growing shareholder value. However, while many companies claim that very same goal, EnCana is making real progress towards that goal as evidenced by its improving results.

### CATEGORY

1. Investing

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