



Is There Any Hope for 2014's Biggest Losers?

Description

In 2014, we saw an increasing divergence between stock market winners and losers. In other words, some stocks skyrocketed while others tanked.

Below we take a look at three of 2014's worst performers, and ask whether any of them are poised for a turnaround.

Penn West Petroleum

This year has been one to forget for **Penn West Petroleum Ltd.** (TSX: PWT)(NYSE: PWE) and its shareholders. It started off with some asset sales for bargain prices, which management got slammed for. Then came an accounting scandal, which required \$400 million worth of restatements. Finally, declining oil prices have taken their toll. As a result, Penn West's shares are down by 46.8% so far this year.

That being said, Penn West's share price may draw some bargain hunters. After all, the dividend yields a whopping 11.9%, despite being cut by almost 50% in 2013. Is there any hope for a rebound?

Perhaps, but at this point, the shares are just too risky. The company still has \$1.9 billion in debt, about 80% of the company's market value. And thanks to these asset sales, production is declining – in the most recent quarter, production declined by 25% year-over-year. Another dividend cut is almost certain. And if oil prices continue to decline, things could get much worse. The risk is just too great.

Talisman Energy Inc.

The news hasn't been any better for **Talisman Energy Inc.** (TSX: TLM)(NYSE: TLM), whose shares are down by 47.0% in 2014.

Like Penn West, Talisman expanded too quickly during the boom years, and has been trying to scale down ever since. In fact management has been pursuing an outright sale of the company. But there have been some major hurdles.

For one, Talisman has assets in North America, the North Sea, the Middle East, and Asia. This complexity makes the company less appealing to potential acquirers. Making matters worse, the North Sea assets come with big capital commitments, and production is declining.

That being said, Talisman has some slight advantages over Penn West. Its debt (as a percentage of market value) isn't as high. Production is declining less slowly. And Talisman has the backing of billionaire activist investor Carl Icahn, who holds a 7.3% stake in the company. But like Penn West, Talisman is still a roll of the dice.

Westport Innovations

Shareholders of **Westport Innovations Inc.** (TSX: WPT)([Nasdaq: WPRT](#)) are wishing they held Penn West or Talisman instead; so far in 2014, Westport's shares are down by 68.4%. What's gone wrong for the natural gas engine technology provider?

First of all, gas prices have held up well, while diesel prices have declined. This has made Westport's technology less competitive against traditional alternatives. And while management has been cutting costs, this may be having an effect on growth. As a result, revenue this year is expected to decline by nearly 20%.

Making matters worse, Westport's shares were priced very high, based on the assumption that revenue would skyrocket. And the shares still trade for more than three times revenue, a big number for a shrinking company with no profits.

So the best option among these three is likely Talisman – by default. But all of them are very risky, so proceed with caution.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NASDAQ:WPRT (Westport Fuel Systems Inc.)

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