



## The 5 Worst Stocks of 2014

### Description

The market has had its struggles in 2014. However, these companies really made a stink.

Like the Golden Raspberry Awards for movies, today we recognize the worst stocks of the year. As you might have guessed, oil companies are well represented on this list. In fact, every single stock on our bottom five is from the energy patch.

So with that in mind, let's review some of the ugly investment stories of the past year. Here are the five poorest performing stocks of 2014.

#### 1. Trilogy Energy Corp, down 72%

In recent years, energy stocks tempted many people with their big dividends. Drillers tried huge payouts and monthly distributions to attract yield hungry investors. However, with oil prices slipping, this income stream is drying up.

That's the case at **Trilogy Energy Corp** (TSX: TET). Last week, management announced that they were dialing back their growth plans and halting dividend payments. The math is simple: lower oil prices means less cash is coming in the door. Trilogy is not making enough money to pay shareholders and keep the lights on.

#### 2. Penn West Petroleum Ltd, down 71%

**Penn West Petroleum Ltd** (TSX: PWT)(NYSE: PWE) was struggling even before the recent rout in oil prices. In late 2013, the company announced plans to trim costs and sell assets. Investors feared the firm was only at the beginning of what could be a long turnaround.

Then in July, the stock was hit yet again with the fallout of an accounting scandal. In short, Penn West had been claiming operating expenses as capital expenditures, boosting its cash flow numbers. With such a blow to management's credibility, investors have been dumping the stock.

### 3. Legacy Oil Plus Gas Inc, down 71%

How bad are things in the energy patch? Well as one oil man put it, business is uglier than the inside of an outhouse after the lightning hit. Drillers operating in new, high-cost shale plays have been hammered the worst of all.

Over the past few years, **Legacy Oil Plus Gas Inc** (TSX: LEG) built out huge positions in Saskatchewan's Bakken oil field. The problem? If prices stay below \$60 to \$70 per barrel, the play may no longer be profitable to exploit. The company could be forced to write off much of its reserves.

### 4. Pacific Rubiales Energy Corp, down 69%

What happens when you combine lower oil prices and high debt levels? You get ugly results. Falling energy prices have hammered even well-managed businesses. But for oil drillers that have taken on a lot of debt, the declines have been far, far worse.

For example, **Pacific Rubiales Energy Corp** (TSX: PRE) had one of the highest debt-to-asset loads in the industry. The combination of big liabilities and falling prices has obliterated the stock. It's a lesson worth remembering for resource investors.

### 5. Athabasca Oil Corp, down 65%

**Athabasca Oil Corp** ([TSX: ATH](#)) investors are getting a harsh lesson in leverage. Squeezing bitumen out of the Alberta oil sands is expensive. Because of these high costs, producers operate on thin profit margins.

When oil rises, their thin margins can soar (along with share prices). But when oil prices fall, this leverage works the other way. In a desperate bid to conserve cash, Athabasca Oil has been forced to dial back its expansion plans.

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