

# Should You Buy, Sell, or Hold Husky Energy Inc. Following its Q4 Earnings Release?

## Description

**Husky Energy Inc.** (TSX:HSE), one of the largest integrated energy companies in Canada, released fourth-quarter earnings before the market opened on February 12 and its stock responded by rising over 2.5% in the trading session that followed. Even after this post-earnings pop, the company's stock still sits over 23% below its 52-week high, so let's take a closer look at the results to determine if we should consider buying into the rally, or wait for it to subside.

### Breaking down the fourth-quarter results

Here's a summary of Husky Energy's fourth-quarter earnings compared to its results in the same period a year ago.

Metric	Q4 2014	Q4 2013
Earnings per share	(\$0.65)	\$0.18
Revenues, net of royalties	\$5.70 billion	\$5.92 billion

Source: *Husky Energy Inc.*

Husky Energy reported a net loss of \$603 million, or \$0.65 per diluted share, in the fourth quarter compared to a net gain of \$177 million, or \$0.18 per diluted share, in the year-ago period, as its revenue decreased 3.7%. However, it is also worth noting that excluding certain one-time charges, the company reported a net gain of \$147 million in the fourth quarter compared to a net gain of \$375 million in the year-ago period.

Husky Energy's steep decline in net income can be attributed to lower commodity costs and crack spreads, amongst other factors, while its 3.7% decline in revenue can be attributed to revenue falling 12.1% to \$3.92 billion in its downstream segment, which was only partially offset by a 15.6% increase to \$2.37 billion in its upstream segment.

The company also noted that its production averaged 360,000 barrels of oil equivalents per day in the fourth quarter, an increase of 5.6% from the third quarter and an increase of 16.9% from the year-ago period.

Here's a quick breakdown of 10 other notable statistics and updates from the report compared to the year ago period:

1. Revenue declined 6.9% to \$2.5 billion in its U.S. Refining & Marketing segment (downstream).
2. Revenue declined 26.6% to \$945 million in its Canadian Refined Products segment (downstream).
3. Revenue declined 1.9% to \$475 million in its Upgrading segment (downstream).

4. Revenue increased 12.7% to \$1.71 billion in its Exploration & Production segment (upstream).
5. Revenue increased 23.8% to \$660 million in its Infrastructure & Marketing segment (upstream).
6. Produced 243,000 barrels of crude oil and natural gas liquids per day, an increase of 8.5% from the year-ago period.
7. Produced 702,000 million cubic feet of natural gas per day, an increase of 39.3% from the year-ago period.
8. Cash flow from operating activities increased 91.1% year-over-year to \$1.58 billion.
9. The quarter ended with \$1.27 billion in cash and cash equivalents, an increase of 41.9% from the third quarter.
10. Husky paid out a quarterly dividend of \$0.30 per share for a total cost of approximately \$292 million.

Lastly, Husky Energy announced that it will be maintaining its quarterly dividend of \$0.30 per share, and the next payment will come on April 1 to shareholders of record at the close of business on March 13.

### **Is now the time to buy shares of Husky Energy?**

Husky Energy is one of Canada's largest integrated energy companies, and lower oil prices led it to post year-over-year declines in both earnings per share and revenue, but the market shrugged off the weak results and sent its stock over 2.5% higher.

I think Husky Energy's stock represents a great long-term opportunity today, even after the post-earnings pop, because it still trades at inexpensive valuations, it pays a bountiful dividend, and I think the price of oil will head back towards \$80 per barrel by the conclusion of 2015.

First, Husky Energy's stock trades at just 23.9 times fiscal 2014's diluted earnings per share of \$1.20 and a mere 9.6 times analysts' adjusted earnings per share projection of \$2.99 for fiscal 2015, both of which are very inexpensive compared to its long-term growth potential. Second, the company pays an annual dividend of \$1.20 per share, giving its stock a generous 4.2% yield. I think this makes it both a value and dividend play today. Finally, I think the price of oil will head higher over the course of the year and end up around \$80 per barrel, leading to investors piling into energy stocks like Husky Energy.

With all of the information above in mind, I think Husky Energy represents one of the best long-term opportunities in the energy industry, and investors should consider initiating positions today.

### **CATEGORY**

1. Energy Stocks
2. Investing

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**Author**  
jsolito

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