

Does Enerplus Corp. Represent a Long-Term Opportunity Today?

Description

Enerplus Corp. ([TSX:ERF](#))([NYSE:ERF](#)), one of the largest producers of crude oil and natural gas in North America, announced fourth-quarter earnings results on the morning of February 20, and its stock has responded by falling over 11% in the weeks since. Let's take a closer look at the results to determine if we should consider using this weakness as a long-term buying opportunity, or as a major warning sign.

Breaking down the fourth-quarter results

In the fourth quarter of fiscal 2014, Enerplus' net income increased 411.9% to \$151.65 million, its earnings per share increased 393.3% to \$0.74, and its funds flow from operations increased 17.6% to \$212.52 million compared to the same quarter a year ago. These very strong results can be attributed to the company's average daily production increasing 12.1% to 105,591 barrels of oil equivalents per day, which more than offset the negative impact of lower commodity prices.

Here's a summary of eight other highly important statistics from the report compared to the year-ago period:

1. Average daily production of crude oil increased 13.5% to 42,818 barrels per day
2. Average daily production of natural gas liquids decreased 8.5% to 3,487 barrels per day
3. Average daily production of natural gas increased 12.7% to 355.71 million cubic feet per day
4. Average selling price of crude oil decreased 13.7% to \$67.13 per barrel
5. Average selling price of natural gas liquids decreased 25.6% to \$40.36 per barrel
6. Average selling price of natural gas decreased 4.3% to \$3.12 per thousand cubic feet
7. Operating costs increased 2.8% to \$10.75 per barrel of oil equivalent
8. Capital expenditures decreased 18.8% to \$181 million

Enerplus also announced that it would be reducing its monthly dividend by 44.4% to \$0.05 per share, and the reduction will be effective as of the April 2015 dividend. The company stated that the dividend reduction is necessary until it can bring down its costs of operations, or until commodity prices rebound.

Should you buy shares of Enerplus today?

I think the post-earnings decline in Enerplus' stock represents an intriguing long-term investment opportunity because it trades at inexpensive valuations and because I think the price of oil has bottomed.

First, Enerplus' stock trades at very low valuations, including just 8.2 times fiscal 2014's earnings per share of \$1.46, which is extremely inexpensive compared to its five-year average price-to-earnings multiple of 39.8.

Second, I think the price of oil will rebound and head higher over the course of the year and end up

around \$80 per barrel. I think this will lead to investors piling into energy stocks, like Enerplus.

With all of the information above in mind, I think Foolish investors should strongly consider establishing long-term positions in Enerplus Corp. today.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:ERF (Enerplus Corporation)
2. TSX:ERF (Enerplus)

Category

1. Energy Stocks
2. Investing

Date

2025/08/25

Date Created

2015/03/16

Author

jsolitro

default watermark

default watermark