



Is the Post-Earnings Decline in Pacific Rubiales Energy Corp.'s Stock a Buying Opportunity?

Description

Pacific Rubiales Energy Corp. (TSX:PRE), the largest independent oil and gas exploration and production company in Colombia, announced fourth-quarter earnings on the morning of March 18, and its stock has responded by falling over 2%. Let's take a closer look at the results to determine if we should consider using this weakness as a long-term buying opportunity.

The results that have sent shares lower

Here's a summary of Pacific Rubiales' fourth-quarter earnings results compared to its results in the same period a year ago. All figures are in U.S. dollars.

Metric	Q4 2014	Q4 2013
Earnings Per Share	(\$5.26)	\$0.43
Oil & Gas Sales Revenues	\$991.5 million	\$1.20 billion

Source: Pacific Rubiales Energy Corp.

In the fourth quarter of fiscal 2014, Pacific Rubiales reported a net loss of \$1.66 billion, or \$5.26 per share, compared to a net profit of \$140.4 million, or \$0.43 per share, in the same quarter a year ago, as its oil and gas sales revenues decreased 17.6% to \$991.5 million. The company noted that these very weak results could be attributed to "the near-halving of oil prices" compared to the year-ago period, which more than offset a 12.2% increase in sales volumes to 161,445 barrels of oil equivalents per day.

Here's a quick breakdown of eight other notable statistics from the report compared to the year-ago period:

1. Production of oil and liquids increased 11.1% to 137,019 barrels per day
2. Production of natural gas decreased 8.1% to 10,056 barrels of oil equivalents per day
3. Net production increased 9.5% to 147,075 barrels of oil equivalents per day

4. Adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) decreased 36% to \$419.3 million
5. Adjusted EBITDA per share decreased 34.2% to \$1.33
6. Funds flow from operations decreased 14.1% to \$409.8 million
7. Funds flow from operations decreased 11.6% to \$1.30 per share
8. Average shares outstanding decreased 2.6% to 315.9 million

Pacific Rubiales also announced that it has suspended its dividend as a result of the continued decline in commodity prices. By suspending its dividend, the company stated that it will save approximately \$52 million per quarter.

Should you add Pacific Rubiales to your portfolio today?

I think the post-earnings weakness in the company's stock is warranted, and I think it will continue lower from here because its fourth-quarter results were terrible, and the suspension of its dividend takes away the primary reason for owning the stock.

With all of this information in mind, I think Foolish investors should avoid Pacific Rubiales Energy Corp.'s stock indefinitely.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:FEC (Frontera Energy Corporation)

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