

Should You Buy Bonterra Energy Corp. for its 5.1% Yield Today?

Description

Bonterra Energy Corp. ([TSX:BNE](#)), one of the leading producers of oil and natural gas in Canada, announced fourth-quarter earnings results after the market closed on March 19, and its stock responded by falling over 4.5% in the trading session that followed. Let's break down the quarterly results to determine if we should consider using this weakness as a long-term buying opportunity.

The results that ignited the sell-off

In the fourth quarter of fiscal 2014, Bonterra reported a net loss of \$32.88 million, or \$1.03 per diluted share, compared to a net profit of \$15.25 million, or \$0.49 per diluted share, in the same quarter a year ago, as its revenue decreased 2.8% to \$68.94 million. The company noted that these very weak results could be attributed to "the significant erosion in commodity prices," which more than offset an 8.3% increase in total production to 13,488 barrels of oil equivalents per day.

Here's a quick breakdown of 12 other notable statistics from the report compared to the year-ago period:

1. Production of oil increased 10% to 8,762 barrels per day
2. Average price of oil decreased 11.8% to \$71.37 per barrel
3. Production of natural gas liquids increased 31.8% to 911 barrels per day
4. Average price of natural gas liquids decreased 33.6% to \$37.49 per barrel
5. Production of natural gas increased 0.4% to 22.88 million cubic feet per day
6. Average price of natural gas increased 1.8% to \$3.92 per thousand cubic feet
7. Funds flow decreased 26.4% to \$31.93 million
8. Cash flow from operations increased 5.6% to \$50.47 million
9. Paid out dividends totaling \$0.90 per share compared to dividends totaling \$0.85 per share in the year-ago period
10. Capital expenditures and acquisitions, net of dispositions, decreased 20.6% to \$20.61 million
11. Total assets increased 4.2% to \$1.04 billion
12. Long-term debt decreased 1.3% to \$154.72 million

Should you buy shares of Bonterra Energy today?

I think the post-earnings drop in Bonterra's stock was warranted, but I also think the drop has led to a long-term buying opportunity because it trades at inexpensive valuations and pays a very high dividend.

First, Bonterra's stock trades at 29 times fiscal 2014's earnings of \$1.21 per diluted share, just 5.4 times fiscal 2014's funds flow of \$6.54 per diluted share, and a mere 5.1 times fiscal 2014's cash flow from operations of \$6.94 per diluted share.

Second, the company pays a monthly dividend of \$0.15 per share, or \$1.80 per share annually, which gives its stock a very high 5.1% yield at current levels. I think the inexpensive valuations and high

dividend makes the stock qualify as both a value and dividend play today.

With all of the information provided above in mind, I think Bonterra Energy Corp. represents a great long-term investment opportunity today. Foolish investors seeking an investment in the energy industry should take a closer look and consider establishing long-term positions.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. TSX:BNE (Bonterra Energy Corp)

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Author

jsolitro

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