



## Should You Buy, Sell, or Hold Canadian Oil Sands Ltd. Today?

### Description

**Canadian Oil Sands Ltd.** (TSX:COS), the company with a 36.74% ownership interest in the Syncrude oil sands project, announced first-quarter earnings results after the market closed on April 30, and its stock has remained relatively flat in the trading sessions since. Let's take a closer look at the operating results to determine if we should consider establishing long-term positions, or if we should look elsewhere in the industry for an investment today.

### Lower oil prices lead to year-over-year declines

Here's a breakdown of Canadian Oil Sands' first-quarter earnings results compared with its results in the same period a year ago.

Metric	Q1 2015	Q1 2014
Earnings per share	(\$0.38)	\$0.35
Revenue	\$634 million	\$1.06 billion

*Source: Canadian Oil Sands*

In the first quarter of fiscal 2015, Canadian Oil Sands reported a net loss of \$186 million, or \$0.38 per share, compared with a net profit of \$172 million, or \$0.35 per share, in the same quarter a year ago, as its revenue decreased 40% to \$634 million.

These very weak results can be attributed to two primary factors. First, Canadian Oil Sands' average realized synthetic crude oil selling price decreased 47.1% to \$55.95 per barrel, which more than offset a 1.9% increase in its average sales volume to 107,305 barrels per day. Second, the company reported a \$159 million foreign exchange loss on its U.S. dollar denominated long-term debt compared with a loss of just \$54 million in the year-ago period.

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

1. Syncrude's total production increased 0.4% to 26.4 million barrels, or 293,700 barrels per day

2. Cash flow from operations decreased 78.7% to \$76 million
3. Cash flow from operations decreased 78.4% to \$0.16 per share
4. Total operating expenses decreased 22.5% to \$345 million
5. Total operating expenses decreased 23.9% to \$35.71 per barrel
6. Paid out a quarterly dividend of \$0.05 per share for a total cost of approximately \$24 million, compared with a dividend of \$0.35 per share for a total cost of \$170 million in the year-ago period
7. Average foreign exchange rate (\$USD/\$CDN) decreased 11% to \$0.81
8. Ended the quarter with \$120 million in cash and cash equivalents, an increase of 263.6% from the beginning of the quarter

### **What should you do with Canadian Oil Sands' stock today?**

Canadian Oil Sands' first-quarter earnings results were very weak, so I think its stock has responded correctly by remaining relatively unchanged since the release. I also do not think there is any reason to own the stock today, as it trades at expensive valuations and only yields 1.5%. I think Foolish investors should avoid the stock for the time being and only revisit it if it experiences a significant pullback in the weeks ahead or if a positive press release of any kind occurs.

### **CATEGORY**

1. Energy Stocks
2. Investing

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