



Is Penn West Petroleum Ltd. the Top Stock Under \$3 to Buy Today?

Description

Penn West Petroleum Ltd. (TSX:PWT)(NYSE:PWE), one of the largest conventional oil and natural gas producers in Canada, announced first-quarter earnings results before the market opened on April 30, and its stock has responded by falling over 12% in the days since. The company's stock now sits more than 75% below its 52-week high, so let's take a closer look at the results to determine if now is the time to begin scaling in to long-term positions.

A lackluster first-quarter performance

Here's a summary of Penn West's first-quarter earnings results compared with its results in the same period a year ago.

Metric	Q1 2015	Q1 2014
Earnings Per Share	(\$0.49)	(\$0.18)
Gross Revenues	\$384 million	\$673 million

Source: Penn West Petroleum Ltd.

In the first quarter of fiscal 2015, Penn West reported a net loss of \$248 million, or \$0.49 per share, compared with a net loss of \$89 million, or \$0.18 per share, in the same quarter a year ago, as its gross revenues decreased 42.9% to \$384 million.

These very weak results can be attributed to the steep decline in commodity prices over the last year: the company's average selling price of light oil decreased 45.1% to \$51.97 per barrel; its average selling price of heavy oil decreased 56.5% to \$30.20 per barrel; its average selling price of natural gas liquids decreased 70% to \$20.31 per barrel; and its average selling price of natural gas decreased 17.6% to \$4.36 per thousand cubic feet.

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

1. Total production decreased 14.9% to 94,905 barrels of oil equivalents per day
2. Production of light oil decreased 8.4% to 45,855 barrels per day
3. Production of heavy oil decreased 1.7% to 12,895 barrels per day
4. Production of natural gas liquids decreased 22.3% to 6,593 barrels per day
5. Production of natural gas decreased 25.9% to 177 million cubic feet per day
6. Revenue from the sale of light oil and natural gas liquids decreased 41.5% to \$279 million
7. Revenue from the sale of natural gas decreased 38.6% to \$70 million
8. Revenue from the sale of heavy oil decreased 57.3% to \$35 million
9. Cash flow from operating activities decreased 29.7% to \$156 million
10. Funds flow decreased 58.4% to \$112 million
11. Funds flow decreased 60% to \$0.22 per share
12. Development capital expenditures decreased 2.1% to \$191 million

Penn West also announced that it will be maintaining its dividend of \$0.01 per share in the second quarter, and it will be paid out on July 15 to shareholders of record at the close of business on June 30.

Should you buy or avoid Penn West today?

The first quarter was very weak for Penn West, so I think the 12% decline in its stock is warranted. I also think it could go lower from here because there are very few catalysts of growth for the company going forward, and because there are much better investment options in this and other industries today.

With all of the information provided above in mind, I think Foolish investors should avoid Penn West Petroleum's stock today.

CATEGORY

1. Energy Stocks
2. Investing

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