# 3 Takeaways From Enerplus Corp’s First-Quarter Results

## Description

**Enerplus Corp** (TSX:ERF)(NYSE:ERF) recently reported first-quarter results. The results showed that the company was deeply impacted by weak oil prices. Because of that, the report was pretty mixed as there was some good news and bad news. Here are three takeaways to make sense of Enerplus’ report.



**No. 1: It’s actually not losing money**

For the quarter Enerplus reported a loss of $293.2 million, or $1.42 per share. While that sounds bad, it doesn’t tell the whole story as Enerplus actually isn’t losing money producing oil and gas. Instead, the bulk of the loss was due to a $268 million non-cash impairment charge the company took as it wrote down some of the value of its oil and gas properties due to low oil prices. In addition to that, the company recorded one-time charges of $11 million and $8.6 million relating to its oil and gas hedge position and foreign exchange hedges.

Instead, the company was actually cash flow positive; it reported funds flow of $109 million for the quarter, or $0.53 per share. While that was about half of the $220.5 million, or $1.09 per share, it reported in the first-quarter of last year, it does show that Enerplus isn’t losing money on its oil and gas production.

**No. 2: Debt is going the wrong way**

While Enerplus isn’t losing money on oil and gas production, it is still burning through cash. This is due to the fact that it has spent $167 million on capital expenditures in the quarter as it drilled just over 17 net wells. Because of this overspend, as well as the drop in its funds flow, the company’s debt metrics are going in the wrong direction. This was evident as trailing 12-month debt-to-funds flow expanded from 1.3 times in the first quarter of last year to 1.7 times this past quarter. Obviously, this is a metric to watch as investors would prefer to see it improve and not worsen.

**No. 3: Operations were strong**

While Enerplus’ cash flow and debt metrics are weakening due to the drop in oil prices, its operations are running much stronger. During the first quarter Enerplus' production was solid; it averaged 100,900 barrels of oil equivalent per day (BOE/d). While that was 4% below the previous quarter, that's due to the fact that the company reduced its capital spending fairly significantly, and it deferred completing several wells in the Bakken shale. Despite this, its production was still above its projected full-year range of 93,000-100,000 BOE/d.

Even more impressive is the improvement Enerplus is seeing on the cost side of its business. During the quarter the company's average well cost fell close to 15% below last year's level, which is enabling it to drill more wells with less money. Meanwhile, its operating and general and administrative costs both came in under expectations. These lower costs are crucial to the company as it helps to partially mitigate the drop in oil prices.

**Investor takeaway**

While it wasn't a great quarter by any means, it wasn't awful either. Despite weak oil prices, the company is still making money on oil and gas production. Further, while some of its debt metrics are weakening, its operations are still strong and its costs are falling. So, while the company still has some work to do, its first quarter wasn't as bad as the loss seemed to indicate at first glance.

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