



Is Pacific Rubiales Energy Corp. the Top Energy Stock Under \$10?

Description

Pacific Rubiales Energy Corp. (TSX:PRE), the largest independent oil and gas exploration and production company in Colombia, announced first-quarter earnings results before the market opened on May 14, and its stock responded by remaining relatively unchanged in the trading session that followed. Let's take a closer look at the results to determine if this lack of movement represents a long-term buying opportunity, or if there is an underlying factor holding the stock back.

Low oil and gas prices lead to very weak results

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

Metric	Q1 2015	Q1 2014
Earnings Per Share	(\$2.31)	\$0.38
Total Revenues	\$799.85 million	\$1.28 billion

Source: Pacific Rubiales Energy Corp.

In the first quarter of fiscal 2015, Pacific Rubiales reported a net loss of \$722.26 million, or \$2.31 per share, compared with a net profit of \$119.24 million, or \$0.38 per share, in the same quarter a year ago, as its total revenues decreased 37.8% to \$799.85 million.

These very weak results can be attributed to the steep decline in commodity prices compared with the year-ago period, leading to its average realized selling price of oil and gas decreasing 47% to \$49.45 per barrel of oil equivalent. This more than offset the positive impact of its oil and gas sales volume, including trading, increasing 18.6% to a record 180,086 barrels per day. The decline in commodity prices also resulted in a \$448.97 million impairment charge against its exploration assets and goodwill.

Here's a breakdown of 10 other notable statistics from the report compared with the year-ago period:

1. Total production increased 2.6% to a record 152,650 barrels of oil equivalents per day

2. Production of oil and liquids increased 4.3% to 144,094 barrels per day
3. Production of natural gas decreased 20.1% to 8,556 barrels of oil equivalents per day
4. Oil and gas sales decreased 38.3% to \$732.31 million
5. Trading sales decreased 29.9% to \$67.54 million
6. Gross earnings decreased 58.6% to \$324.48 million
7. Adjusted earnings before interest, taxes, depreciation, and amortization decreased 61.9% to \$269.6 million
8. Funds flow from operations decreased 66.9% to \$156.9 million
9. Net cash provided by operating activities decreased 74.3% to \$98.95 million
10. Ended the quarter with \$860.45 million in cash and cash equivalents, an increase of 157.8% from the beginning of the quarter

Should you buy or avoid Pacific Rubiales' stock?

It was a very weak quarter for Pacific Rubiales, so I think the lack of movement in its stock is warranted. I also think investors should avoid the stock indefinitely, because analysts expect further losses in the second, third, and fourth quarters, and there are much better investment options in this and other industries today.

CATEGORY

1. Energy Stocks
2. Investing

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1. TSX:FEC (Frontera Energy Corporation)

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Author

jsolitro

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