# Bonavista Energy Corporation Is Your Best Bet With Volatile Oil Prices

## Description

Despite years of relative calm, it seems like volatility is here to stay in the oil markets. Even after rising nearly 40% in the past 90 days alone, oil prices are still down about 50% from their highs a year ago. Daily moves in excess of 1-2% are becoming the norm.



During times of uncertainty, it's important to stick with operators that have a proven history of navigating turbulent markets. Three key characteristics that indicate a winner include consistently rising output volumes, a dedication to lowering production costs, and an unwavering level of insider ownership.

Fortunately, it looks like **Bonavista Energy Corporation** (TSX:BNP) displays all three.

**Rising output volumes**

Bonavista has been able to cost effectively raise production volumes and reserves by over 6% annually this decade. Despite an impressive track record of organic growth, management anticipates growing this by another 8% per year for the next five years. This growth is driven by six major projects that are expected to contribute 80% of production by 2020.

**Lowering production costs**

Since 2008, Bonavista has focused a majority of development spending on core properties that have displayed the lowest costs of production. This has allowed production from core properties to grow from 25% of volumes to today's 83% in only five years.

The effect of this transformation has been phenomenal for Bonavista's cost structure. Production costs in core areas are down over 60% since 2008, falling 25% in the past three years alone.

The cost of adding new production has also plummeted. After hitting a high in 2012, management refocused the company to drive the cost of adding production down almost 50% in just two years. If energy prices remain depressed, Bonavista looks very well insulated.

**Impressive metrics relative to peers**

Bonavista's closest peers include **Baytex Energy Corp.**, **Crescent Point Energy Corp.**, **Enerplus Corp.**, **Lightstream Resources Ltd.**, **Pengrowth Energy Corp.**, **Penn West Petroleum Ltd.**, and **Peyto Exploration & Development Corp**.

Among this peer group, Bonavista stands up as one of the best. It has the second-lowest cost of production and also the lowest cost of adding new production volumes. While its competitors may trumpet their high-growth prospects, nothing protects profits better in times of trouble than low expenses.

**An experienced and incentivized management team**

While the current CEO has been at the helm for almost 16 years, the rest of Bonavista's management team have average tenures of over a decade. Not only do they have significant amounts of operating experience, but insiders also own 11% of all outstanding shares.

This ownership level aligns executive interests with shareholders. For example, no executive has a salary of over $1 million. Instead, they achieve a much higher financial reward from returns on the company's stock.



**A barrier to volatility**

Even the best experts have had trouble predicting commodity prices over the past few years. To protect yourself, it makes sense to invest in companies that have a proven operating history and ability to lower costs to compensate for lower prices. Bonavista displays all of these attributes, as well as a management team well incentivized to continue executing in the future.

**CATEGORY**

1. Dividend Stocks
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