



Husky Energy Inc. Has Something Others Really Want

Description

With the price of oil remaining weak and no real signs that it's going to meaningfully improve any time soon, **Husky Energy Inc.** (TSX:HSE) is turning to asset sales in order to bolster its balance sheet. That's typically tough to do in an environment like this because so many would-be buyers have their own balance sheet issues or can't access capital.

However, Husky Energy doesn't seem to be having issues finding buyers for the assets it's unloading. Recent reports suggest that there are multiple bidders for its asset packages.

A bidding war

Husky Energy currently has a number of assets on the market. The company put together a number of packages of light oil properties in western Canada.

According to reports, it is selling three main packages and 10 smaller sub-packages in order to maximize the value of these assets; it hopes to close several deals over the next few months. In addition to these assets, it's also said to be selling some of its pipelines and storage terminals in Alberta as well as a package of royalty lands in western Canada.

Those royalty lands are drawing interest from a number of parties, including **Freehold Royalties Ltd.** ([TSX:FRU](#)), and are expected to sell for about \$200 million.

That said, the bigger prize appears to be its light oil assets, which could fetch up to \$2.1 billion in combined value. That's because a number of bidders, including **Raging River Exploration Inc.** (TSX:RRX), **Whitecap Resources Inc.** ([TSX:WCP](#)), **Spartan Energy Corp.** (TSX:SPE), are reportedly bidding on these properties.

Attractive packages

The properties, which are located in northern British Columbia and southwestern Saskatchewan, currently produce 59,530 barrels of oil equivalent per day, half of which are oil and natural gas liquids. It's the liquids-rich nature of this production as well as its development potential that has caught the

attention of bidders.

These assets are underdeveloped compared to others in the region because Husky Energy's attention has been focused elsewhere in recent years; for example, it's been focused on heavy oil and natural gas developments in Asia.

It's that focus on other things that's another driving force behind Husky Energy's decision to part with these assets. It wants to be able to keep its focus on its best opportunities, but it can't do that with a large number of small plays in its portfolio.

Meanwhile, companies such as Raging River Exploration, Whitecap Resources, and Spartan Energy are all focused on southwestern Saskatchewan. As such, an opportunity to pick up an attractive asset package in their core area during a low point in the market is something worth considering.

Further, unlike a lot of Canadian energy companies, all three have solid balance sheets. Both Raging River Exploration and Whitecap Resources recently raised some equity capital to bolster their balance sheets, while Spartan Energy has a virtually debt-free balance sheet that makes it well positioned to be an active acquirer.

Investor takeaway

Husky Energy has something a lot of its rivals want: liquids-rich assets in Saskatchewan. Even better, these assets are located in an area where there are a number of potential bidders that have the capital to make a deal. That's good news for Husky's investors because the company should be able to get a fair price for these assets at a time when many other sellers aren't finding asset sales to be very appealing.

CATEGORY

1. Energy Stocks
2. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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2. TSX:WCP (Whitecap Resources Inc.)

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