



A Penn West Petroleum Ltd. Turnaround Is on the Horizon

Description

Penn West Petroleum Ltd. (TSX:PWT)(NYSE:PWE) has slimmed down after almost going under, giving the company a new face that seems to have plenty of momentum going its way at the moment.

The Calgary-based exploration and production company announced that it would be doubling capital spending in 2017 to approximately \$180 million as it tries to revamp its identity in the oil industry. CEO David French has only been the boss since October, but he's already put the pieces in motion to ensure future success, stating that it is time for the company to forget its troubled past and carry on.

In 2016, Penn West sold off some assets that reduced its production to 38,500 barrels of oil per day in its fourth quarter, tallying up to about 50% of what its output amounted to 12 months prior. However, the company insisted that this move represented budding strength as it drastically diminished its debt levels from \$2 billion to \$480 million by the end of 2016.

French noted that it is time for the company to survive with what it has, but it could eventually buy new assets to boost growth. The budget includes \$160 million for exploration and development as well as \$20 million for decommissioning expenses, which is \$65 million more than the previous year. Production is slated to be 15% higher by the fourth quarter of the current fiscal year.

Penn West's EBITDA is slated to be around \$354.15 million, raising the company's enterprise value by \$300 million to \$1.6 billion. This could mean a 32% hike in market capitalization for the oil company.

Oil prices are trading slightly below the \$55 per barrel the company hoped for, but if prices remain consistent around this figure, the company could experience a 20% growth. PWT stock is currently selling at \$2.42 per share, but don't be surprised if this figure reaches \$3 per share if prices remain around \$55 per barrel.

If Penn West is to build upon its potential this year, its asset at the Cardium Formation will be key to propelling the little engine forward. It's a good time for this area as there is plenty of oil available, and history suggests that we could see the company resurface from its ashes thanks to this asset.

It is very early in the year, but the results reveal glimmers of hope as the stock has risen 2.1% year-to-

date. In fact, Penn West is up 181.4% over the last 12 months, suggesting that the reversal of fortunes is more than simply a rumour. The company's land in Canada amounts to approximately four million acres that need to perform well if an expansion is to happen eventually.

The stock currently has an average rating of a "Hold" with eight analysts rating it as so, while two rate it a "Buy" and one rates it a "Sell." The company's price target is \$2.46 per share with sell-side analysts predicting a decline to \$2.25 per share, while bulls believe it has the potential to waft up to \$2.75 per share.

Penn West is certainly a stock to be cautious of in the near future, but its restructuring plan seems to be positioning it for a bright future that could slowly bring the stock up. While the company will not reach the heights it once did, its resilience is what makes this oil producer a stock to watch in 2017.

CATEGORY

1. Energy Stocks
2. Investing

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date

2025/08/18

Date Created

2017/01/17

Author

karlutmohlen

default watermark

default watermark