



## Husky Energy Inc.: A Solid Contrarian Bet for Oil Bulls

### Description

Shares of **Husky Energy Inc.** (TSX:HSE) can't seem to form a sustained rally back to higher levels as fear and pessimism over Canada's energy sector continues to grow. The stock has been painful for long-term investors to own over the years with the stock down over 71% from its May 2008 high. Husky ran a capital-intensive business, and the balance sheet took one on the chin with the recent collapse in oil prices.

Amid the turmoil, Husky cut its dividend entirely, so contrarian investors looking for a turnaround will not have the pleasure of picking up a dividend while they wait for industry-wide headwinds to fade. Li Ka-Shing, the controller of Husky, plans to raise money by selling eastern Canadian assets, which will likely be used for less capital-intensive projects, so Husky won't continue to bleed cash if the low oil price environment sticks around for a longer period of time.

### Adapting to a harsher environment which may be here to stay

The company has been taking an active approach to keeping Husky's head above the water. Husky paid back \$1.2 billion worth of debt last year and is working on initiatives to reduce cash loss from operations. The balance sheet isn't in the best shape right now, but there are companies in the oil patch that are far worse off than Husky.

One thing that's attractive about Husky right now is its natural gas operations in Asia, which the management team will attempt to finance with cash raised from the sale of capital-intensive projects. Demand for natural gas in Asia is quite strong, and I believe this operation will partially offset the pain from low oil prices and the cloud of pessimism following Canada's energy sector right now.

I believe the elimination of the dividend shows the management team is fully focused on improving operations and is willing to take short-term pain to better position itself for a rebound. It could take many years before Husky digs itself out of its hole, but if you've got such a time horizon, then it may make sense to pick up some shares. The management team is aware that the low oil environment may be here to stay, so they've been making moves to adapt.

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