



Why Imperial Oil Ltd. Dropped 4.31% on Friday

Description

Imperial Oil Ltd. ([TSX:IMO](#))(NYSE:IMO), Canada's largest petroleum refiner, released its fourth-quarter earnings results on Friday morning, and its stock responded by falling 4.31% in the day's trading session. Let's break down the quarterly performance to determine if we should consider using this weakness as a long-term buying opportunity.

A poor quarterly performance

Here's a quick breakdown of 10 of the most notable statistics from Imperial Oil's three-month period ended December 31, 2017, compared with the same period in 2016:

Metric	Q4 2017	Q4 2016	Change
Revenues and other income	\$8,077 million	\$8,442 million	(4.3%)
Net income (loss) (U.S. GAAP)	(\$137 million)	\$1,444 million	(>100%)
Net income (loss) per common share (EPS)	(\$0.16)	\$1.70	(>100%)
Cash generated from operating activities	\$1,080 million	\$751 million	43.8%
Capital and exploration expenditures	\$216 million	\$213 million	1.4%
Gross oil-equivalent production (barrels per day)	399,000	399,000	Unchanged
Refinery throughput (barrels per day)	391,000	401,000	(2.5%)
Refinery capacity utilization	92%	95%	(300 basis points)

Petroleum product sales (barrels per day)	496,000	493,000	0.6%
Petrochemical sales (tonnes)	184,000	204,000	(9.8%)

Notable commentary

It's important to note that Imperial Oil's net loss reflected a \$289 million impairment charge associated with its Horn River development project and a \$277 million impairment charge associated with its Mackenzie gas project, both of which the company decided to cancel for several reasons, including "an assessment of the relative competitiveness of the investments." The \$566 million in write-downs equates to approximately \$0.68 per share.

What should you do now?

It was a disappointing quarter overall for Imperial Oil, and it capped off a pretty rough year for the company, in which its gross oil-equivalent production decreased 2.8% to 375,000 barrels per day, its net income decreased 77.4% to \$490 million, and its EPS decreased 77.3% to \$0.58 when compared with fiscal 2016; with these less-than-stellar results in mind, I think the decline in its stock on Friday was warranted, and I think the decline was amplified by the overall weakness in the market.

Imperial Oil's stock is now down over 9% since I recommended avoiding it following its third-quarter earnings release on [October 27, 2017](#), and its fourth-quarter performance does not make me feel any better about it as an investment today. The company expects to report its fiscal 2018 first-quarter earnings results on April 27, so I would stick to the sidelines until then to see if its financials improve, but if you are looking for an energy stock to buy right now, [check out these](#) stocks spotlighted by my Foolish colleague, Chris MacDonald.

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