# TFSA Investors: Is it Time to Exit Husky Energy (TSX:HSE) After a Lackluster Q3?

## Description

**Husky Energy** (TSX:HSE) shares may well be on the cusp of a rebound, which means they will probably move up to $12-$13, giving false hopes to many investors before returning to their current levels of $9.3 and then moving lower. This is a pattern that has played out in the stock since 2014.



On the face of it, there's no reason why Husky shares should not be worth twice or even thrice their value right now. It generated $800 million in cash flows in the third quarter of 2019 and $802 million in the June quarter with a good dividend yield of 5.6%. The company's assets exceed its liabilities, yet the shares are down almost 60% in the last year.

## What's impacted Husky stock over the years?

Husky is one of Canada's largest oils sands producers, which means they have to spend extra on refining the crude they extract; the company is unable to produce oil at a low cost.

Husky shares have been on a downtrend since 2014, when it traded at over $36 at writing. With a recession in the offing, it's possible that Husky shares will take a further pounding.

The stock regularly hits new 52-week lows. As Fool contributor Amy Legate-Wolfe reported, the stock hit its 52-week low in August at $10 and then tumbled further to $8.55 before reaching today's levels.

Husky's third-quarter numbers are down compared to the same period last year. Funds from operations clocked in at $1 billion compared to $1.3 billion one year ago. Cash flow from operating activities was $800 million, compared to $1.3 billion in the third quarter of 2018. Net earnings came in at $273 million, compared to $545 million in Q3 of 2018.

Capital expenditure guidance for 2019 remains unchanged, at $3.3-$3.5 billion. Husky has also approved a quarterly dividend of $0.125 per share for the September quarter.

A major positive for Husky is that cash flows look good for the future. Management expects a cash flow of $8.7 billion from 2019 to 2023, up from almost $5 billion today, which means the company has the cash to sustain its dividend payouts.

## The verdict

Its cash flows are the prime reason that Husky is not a sell. Fifteen out of 20 analysts advise a hold, while two recommend a sell. Three have a buy recommendation on the stock.

The reason why so many analysts recommend a hold is that everyone wants to wait and watch. However, wait too long and investors might continue to watch their share prices go even lower.

If oil prices remain at around the same rate, investors can expect Husky shares to hold their ground or even move up. The $8.7 billion cash flow prediction is based on oil prices holding at $60. But that is going to be a very contrarian call to take and it would require a brave investor to do that. The rest of us are better off looking at safer options.

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