Fellow Canadians: This 1 Energy Stock Will Shock You

Description

Bonterra (TSX:BNE) is one of the smaller oil and gas stocks listed on the **TSX.** With a market capitalization of $113 million, it easily slips under investors' radars.

The company is very focused with operations in only one industry and one reportable segment being the development and production of oil and natural gas in the Western Canadian Sedimentary Basin.

Bonterra reports negative retained earnings of $286 million on $1.1 billion of assets compared to its peer **Advantage**, which reports $1.1 billion in negative retained earnings on $1.8 billion in assets. It currently has a dividend yield of 3.5%with a 52-week low of $3.14 and a 52-week high of $14.69.

An interpretation of the numbers

For the six-months ended June 30, 2019, the company reports an improving balance sheet with a growth in assets from $1.104 billion to $1.1124 billion driven by an increase in A/R by $10 million.

The company has managed to increase its assets while reducing total liabilities by $4 million, a good sign for investors. Retained earnings continue to be negative at $(286) million, up from $(309) million at December 31, 2018.

Overall revenues are down for Bonterra from $113 million in 2018 to $98 million in 2019. Despite this drop in revenues, however, management has not cut costs by a significant amount, as evidenced by the $3 million drop in total expenses.

Net income is up to $25 million from $12 million the previous year largely due to a $19 million tax rebate caused by the decrease in corporate taxes from 12% to 8% by January 1, 2022.

The company's cash flow statement continues to be strong with positive operating cash flows. The company reduced its CAPEX spending by $15 million, potentially suggesting reduced demand for its products in the near future, fiscal responsibility on the part of management or a bit of both.

But wait, there’s more

Looking at the company’s notes indicate a couple of important items.

First, the company’s CEO and Chairman loaned the company $12 million. There is no accompanying explanation as to why this occurred, and I’m a bit puzzled by this transaction as the company has access to $340 million in revolving credit facilities with $51 million unused.

Second, on the subject of the company’s credit facilities, the company has additional access to $40 million for opportunities outside of normal operations such as acquisitions. This give the company flexibility, as it essentially extends its credit facilities to $380 million.

As at June 30, 2019, the company is in compliance with all covenants. This is a good sign for investors, as covenants are put in place by the banks to ensure the company has the capacity to repay its loans.

Third, the company has tax pools totalling $359 million — another good sign given that tax pools can be used to reduce future taxable income. As the 8% tax rate is phased in, investors can expect to benefit from one-time deferred income tax recovery in the short term and the lower tax rate in the long term.

Foolish takeaway

Investors looking to buy shares of a pure play oil and gas company with financial statements that fare better than some of its competitors should look into Bonterra.

With increasing total assets complemented by decreasing total liabilities, Bonterra is on the right track to bring retained earnings into positive territory. Given its access to capital, the company is highly liquid, allowing it to push through the current downturn in the oil and gas industry while positioning itself for future growth opportunities.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. TSX:BNE (Bonterra Energy Corp)

PARTNER-FEEDS

1. Business Insider
2. Msn
3. Newscred
4. Sharewise
5. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date
2025/06/28
Date Created
2019/11/08
Author
cliu