



## TFSA Investors: This 1 Energy Stock Is a Hidden Gem!

### Description

**Oryx** (TSX:OXC) is a holding company for the Oryx Petroleum group of companies. The group is indirectly controlled by The Addax and Oryx Group PLC ("AOG"), which is majority owned by billionaire Jean Claude Gandur.

Although the company isn't publicly listed, my best judgment pegs the value of the Addax and Oryx Group PLC in the multi-billion dollar range. This is a very different stock from [the likes of Gran Tierra](#).

Oryx is engaged in the development, exploration and production of [oil and gas internationally](#). This is the second upstream oil and gas company started by Jean Claude Gandur after the first one, Addax Petroleum, was sold for \$8.27 billion to China's Sinopec.

### An interpretation of the numbers

For the six months ended June 30, 2019, the company reports a mediocre balance sheet with negative retained earnings of \$734 million on assets of \$827 million.

While this would normally be a red flag for me, the fact that the company is strictly a holding company means that its financial statements will not be similar to typical oil and gas corporations.

The company's asset profile supports this statement with \$827 million in assets with PP&E accounting for \$660 million. Total liabilities are down from \$203 million in 2018 to \$186 million in 2019 due to the repayment of \$77 million in borrowings.

Looking at the company's income statement indicates that revenues are up to \$61 million from \$34 million the prior year. The company achieved pre-tax income of \$25 million, up from \$12 million the prior year.

After-tax income is \$22 million, up from \$13 million in 2018. Investors should keep tabs on the company's net income in following quarters, as it could suggest a pathway to increased profitability.

Cash flows are strong, with operating cash flow increasing from \$1 million in 2018 to \$30 million in 2019. Capital expenditure spending remained stagnant with purchases of PP&E at \$20 million, up slightly from \$19 million the prior year. The company finished the year with \$20 million in cash and equivalents, which is a good sign.

## But wait, there's more...

Looking at the company's notes to its financials reveals a couple of important items.

First, the company operates extensively in and around Africa; it holds a 65% participating interest in the Iraq-Kurdistan Region and a 85% participating interest in the Senegal and Guinea Bissau.

The majority of the company's PP&E is dedicated to its interests in Iraq. Given the instability in the region, investors should keep a close eye on news regarding the state of the countries to ensure that Oryx's operations are not adversely affected.

Second, a subsidiary of the company entered into an agreement to sell 30% participating interest in the Haute Mer B exploration license off Congo to a subsidiary of another company.

The company will receive a cash consideration of \$13.3 million. Unfortunately, the buyer terminated the sale agreement and Oryx has engaged in an arbitration process to recover the agreed upon amount.

It currently recognizes contingent liabilities of \$14 million, but management believes that the arbitrator will rule in its favour.

## Foolish takeaway

Investors looking to diversify their portfolio and purchase shares of an oil and gas company should consider buying Oryx. Given that the company is a holding company, its financial profile may not appear to be worth the investment.

Based on the company's close ties to AOG, and the experience of Jean Claude Gandur for building up upstream oil and gas companies, I believe that Oryx is a worthwhile long-term investment.

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