



## RRSP Investors: This 1 Stock Will Deliver Massive Returns When Oil Prices Recover!

### Description

**Whitecap** ([TSX:WCP](#)) is a Calgary based company engaged in acquiring, developing and having holding interests in petroleum in natural gas properties and assets.

The company reports a market capitalization of \$1.73 billion with a 52-week low of \$3.41 and a 52-week high of \$5.98. The [current dividend yield is 8.09%](#)

### An interpretation of the numbers

For the nine months ended September 30, 2019, the company reports a mediocre balance sheet with negative retained earnings of \$712 million (down from negative retained earnings of \$657 million the prior year).

Senior management is keen on investing in the business as indicated by a growth in PP&E from \$5.189 billion to \$5.227 billion (+0.7%). Long-term debt was reduced by \$101 million in this period, which demonstrates fiscal responsibility of management.

Unsurprisingly, revenues from petroleum and natural gas sales are down 13.6% from \$1.246 billion to \$1.077 billion.

The drop in revenues outpaced the drop in expenses, which decreased slightly from \$747 million to \$737 million (-1.3%). Overall after-tax net income is still strong at \$48 million, although down from \$58 million in the prior year.

The company has been very active in its financing cash flow segment with a \$101 million decrease in long-term debt, \$103 million paid for dividends and \$20 million in share repurchases. Capital expenditure spending is down from \$364 million in 2018 to \$305 million in 2019.

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

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

First, the company has a \$1.175 billion credit facility which consists of a \$1.1 billion revolver and a \$75 million revolving operating facility.

As at September 30, 2019 the company has \$560 million drawn on its facilities, which represent a utilization rate of 47.7%. This low utilization rate is good news for investors, as it gives the company flexibility to draw on the line in the future for business growth, acquisitions and related transactions.

Second, the company consolidated its working capital assets in Northwest Alberta and British Columbia, Southwest Saskatchewan, and West Central Saskatchewan for cash consideration of \$3.581 million and \$25,000 in non-cash consideration.

The company recorded \$4.7 million to its petroleum and natural gas properties and \$1.093 million to its decommissioning liability. This is good news for investors, as consolidations are usually done to increase the efficiency of operations.

Third, the company renewed its normal course issuer bid in May, 2019, allowing the company to purchase up to 20,657,914 common shares for cancellation.

In the nine months ended September 30, 2019, the company purchased and cancelled \$20 million worth of shares. This is usually done by management to indicate to investors that it believes the current share price is undervalued.

## Foolish takeaway

Investors looking to diversify their portfolio and purchase shares of an oil and gas company should [consider buying Whitecap](#). Despite its negative retained earnings, PP&E has increased, which suggests that management is focused on investing money back into the business.

Further, the company has a decently underutilized credit facility (with 52.3% unused), it consolidated working capital assets, which should result in greater operational efficiency. It also renewed its normal course issuer bid whereby it has purchased 4.6 million shares for a total purchase price of \$20 million.

Investors looking to buy and hold a share should look into Whitecap.

### CATEGORY

1. Energy Stocks
2. Investing

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