# Investor Alert: This Dividend Stock Is Trading at a 52-Week Low!

## Description

**Birchcliff Energy** (TSX:BIR) stock is trading at a 52-week low. But wait! If we zoom out on its Google Finance price chart, we can see the stock actually trades at almost a 15-year low! Indeed, it can easily be one of the most attractive stocks out there.



After revealing its five-year plan, Birchcliff stock fell more than 12% yesterday. The natural gas weighted stock appears to trade at a dirt-cheap price. Does it mean you should load up immediately?

Come explore with me below to see if it's a stock you'll be comfortable investing in.

## A highly cyclical stock

Birchcliff is a highly cyclical stock. You can readily see that from the long-term price chart below — there are clear peaks and troughs. Unfortunately, there's no light at the end of the tunnel right now to give us the slightest hint of where the next trough may land.


*BIR data by YCharts.*



Natural gas supply is abundant, but the best low-cost operators like Birchcliff can hold out and eventually win.

## Is the dividend safe?

The five-year plan aims for strong returns and rising shareholder value over the long term. It has a focus on increasing free funds flow, strengthening the balance sheet, increasing shareholder returns (in dividends and stock buybacks), and generating profitable production and liquids growth.

In 2020, Birchcliff estimates an annual average production of 80,000 to 82,000 barrels of oil equivalent per day, of which roughly 76% will be natural gas.

This should generate adjusted funds flow of $370 million for the year. After accounting for capital spending, it expects to be left with free funds flow of $10-$30 million.

If the company maintains its dividend, it could be paying out about $35.6 million over the next 12 months, unless it buys back shares. In November, Birchcliff renewed a share-buyback program such that it could retire up to 5% of its outstanding shares over a 12-month period.

Birchcliff's dividend is a bit shaky this year because its free funds flow will likely not cover for it entirely. Additionally, it has a lot of debt to pay off — expecting to end 2020 with total debt of $645-$665 million.

However, management expects free funds flow to recover dramatically as soon as 2021 and through 2024, as it improves its adjusted funds flow and reduces its capital spending and debt over the next few years.

## Investor takeaway

Birchcliff currently offers a dividend yield of nearly 5.9%. If management wants to, it can maintain the dividend this year, despite having an extended payout ratio temporarily.

Should the company's free funds flow pop to the $85 million level in 2021, according to management's estimation, its payout ratio will greatly reduce to less than 42%.

Investors should consider Birchcliff's dividend as a bonus and view Birchcliff as a high-risk stock with the potential of delivering strong upside should management executes its plan and the operating environment cooperates.

At $1.79 per share as of writing, Birchcliff trades at a dirt-cheap multiple of about 1.5. A normalized valuation suggests a long-term price target of about $9 — which would make it a five-bagger! The analyst consensus 12-month target of $4.34 represents near-term upside potential of 142%!

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