



Enerplus Corp. (ERF)

Updated January 3rd, 2021 by Felix Martinez

Key Metrics

Current Price:	\$3.13	5 Year CAGR Estimate:	8.0%	Market Cap:	\$403.6 M
Fair Value Price:	\$3.32	5 Year Growth Estimate:	4.5%	Ex-Dividend Date:	12/31/20
% Fair Value:	94%	5 Year Valuation Multiple Estimate:	1.2%	Dividend Payment Date:	01/15/21
Dividend Yield:	2.9%	5 Year Price Target	\$4	Years Of Dividend Growth:	N/A
Dividend Risk Score:	C	Retirement Suitability Score:	B	Last Dividend Increase:	N/A

Overview & Current Events

Enerplus (ERF) trades on the New York Stock Exchange and Toronto Stock Exchange under the tickers, NYSE: ERF and TSX: ERF. All the figures in this report are in dollars. The oil and gas producer was founded in 1986 and had a market capitalization of \$403.6 Million. Its gas production is estimated to be about 45% of its production mix this year. Due partly to volatile energy prices, Enerplus has cut its dividends multiple times in history. Since 2008, the Company's dividend per share has been on a decline. Currently, it offers a yield of 2.9%. In 2018, 84% of its production was in the U.S. The Company reports earnings in the Canadian dollar. We converted everything to U.S. dollars.

Enerplus reported its third-quarter results on November 6, 2020. The Company saw a loss in net income of \$(88.6) million for the quarter vs. the \$51 million that was made in 3Q19. For the first nine months, the Company has lost \$(565) million compared to a \$133 million profit of the first nine months of 2019. The Company recognized a \$201 million non-cash impairment on property, plant, and equipment ("PP&E") due to the continued market volatility and low commodity price environment. If these impairments and non-cash items were not counted, the Company would have an adjusted net profit of \$13.9 million, or \$0.06 per share. Production was 91,022 BOE (Barrels of Oil Equivalent) per day, an increase of 4% compared to the same period a year ago and (15)% lower than the same nine months a year ago. Crude oil and natural gas liquids production for the quarter was 52,539 barrels per day, an increase of 9% compared to the same period a year ago and (13)% lower than the nine months of FY2019. Production was fully restored in the third quarter, which drove the higher quarter-over-quarter volumes; however, the lower production compared to the same nine months in 2019 was due to the reduction in capital activity in 2020.

The Company increased 2020 production guidance to 90,000 to 91,000 BOE per day. We increased our Book Value Per Share from our last report of \$5.27 a share to now \$5.54 a share.

Growth on a Per-Share Basis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
BVPS	\$15.67	\$13.14	\$11.15	\$6.92	\$7.84	\$3.15	\$4.42	\$4.80	\$6.07	\$4.82	\$5.54	\$6.90
DPS	\$1.57	\$1.57	\$1.11	\$0.78	\$0.78	\$0.46	\$0.12	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09
Shares¹	181.0	181.2	198.7	202.8	206.0	207.0	240.0	242.1	239.4	222.0	223.0	225.0

Enerplus's earnings-per-share are very volatile due to volatile energy prices, while its book value per share tends to move in tandem with its cash flow per share. But the book value has lower volatility than the cash flow. More importantly, the oil and gas producer's share price tends to follow its book value and cash flow more than its earnings. So, we chose to use the book value in the table above for growth and valuation purposes.

Enerplus's book value was \$7.84 per share as recent as 2014. Should energy prices improve, it may hit \$6.90 again (or higher) by 2025. The company is estimated to grow cash flow generation over the next few years. This increase in cash flow should help the company to start increasing its dividends. A more robust cash flow will also provide capital for the company to reduce its share count. However, the company also has a history of pushing out stock to raise capital.

1. Shares in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Enerplus Corp. (ERF)

Updated January 3rd, 2021 by Felix Martinez

Valuation Analysis

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Now	2025
Avg. P/B	0.5	0.5	0.9	0.4	0.8	1	0.5	0.5	0.8	0.7	0.6	0.6
Avg. Yld.	6.8%	8.6%	12.5%	5.8%	11.0%	14.6%	1.3%	0.9%	1.2%	1.3%	2.9%	2.2%

Enerplus looks fairly valued at a price to book of about 0.6. We think the multiple will change, given the volatility of energy prices. Therefore, we expect an improvement in book value per share (should energy prices improve) to drive most of the future stock price appreciation.

Safety, Quality, Competitive Advantage, & Recession Resiliency

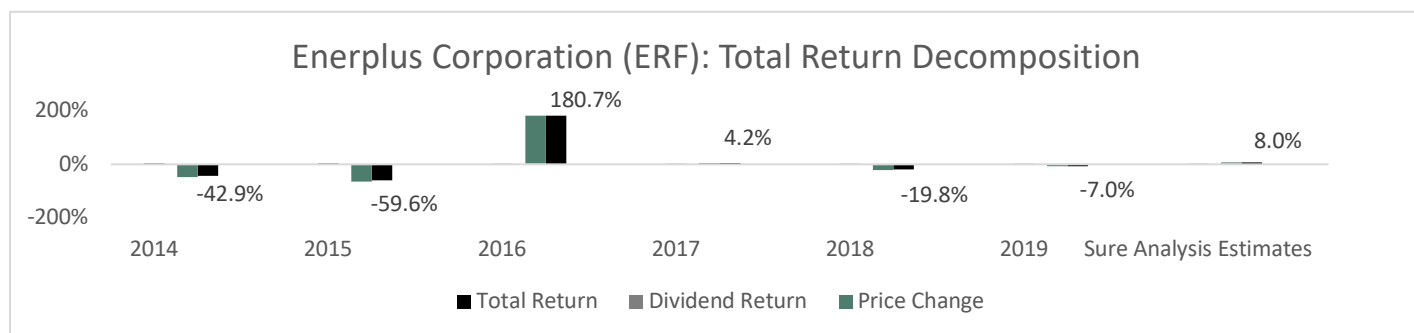
Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2025
Payout	N/A	N/A	N/A	255	N/A	N/A	N/A	805%	27.3%	44.1%	N/A	N/A

Because dividends are paid from cash flow, we decided to calculate the payout ratio from free cash flow instead of earnings. (Notably, Enerplus may have paid cash or stock dividends from 2012-2016.) Enerplus's book value per share has been in a declining trend since 2009, during the last recession, in which the stock fell more than 50% from peak to trough. The energy price collapse in 2014 made things worse, and its book value per share bottomed in late 2016, although the stock bottomed and began rebounding much earlier in that year. Since 2009, Enerplus stock's total returns were -4.5% per year. At the end of the third quarter, Enerplus's debt-to-equity ratio was 0.7, which is slightly higher than what was reported last quarter. The company has a current ratio is 0.6, which is very concerning. Enerplus has an advantage against most Canadian peers which operate primarily in Canada, as it enjoys premium energy pricing for its production in the U.S.

Final Thoughts & Recommendation

Enerplus is a higher risk stock due to the volatile nature of its profitability and the unpredictable energy pricing landscape. A buy-and-hold strategy is not the best way to invest in oil and gas producers because it is a higher-risk investment. Interested investors with an above-average appetite for risk should aim to buy low and sell high, but it's easier said than done. If you plan to trade the stock, wait for a considerable margin of safety. Over the next five years, we estimate total returns of 8.0% annually, were some of those returns come from a current yield of 2.9% and book value per share growth of 4.5% per year. Since our last reported BUY recommendation, the stock has increased by 68% in value. We think it's now an excellent time to take some profits off. Shares are offering potential returns of only 8% per year. This does not provide a margin of safety. Thus, we rate ERF as a HOLD.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

1. Shares in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Enerplus Corp. (ERF)

Updated January 3rd, 2021 by Felix Martinez

Income Statement Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	1287	1172	1154	1313	1382	693	666	881	1243	1185
Gross Profit	788	311	191	297	387	-102	1	237	416	286
Gross Margin	61.2%	26.6%	16.5%	22.6%	28.0%	-14.7%	0.1%	26.9%	33.5%	24.1%
SG&A Exp.	121	96	94	107	95	81	65	57	58	55
Operating Profit	221	216	97	190	292	-183	-64	180	358	231
Operating Margin	17.2%	18.4%	8.4%	14.4%	21.1%	-26.4%	-9.6%	20.4%	28.8%	19.5%
Net Profit	-174	13	-271	47	271	-1194	300	183	292	-196
Net Margin	-13.5%	1.1%	-23.5%	3.5%	19.6%	-172%	45.1%	20.8%	23.5%	-16.5%
Free Cash Flow	-830	-515	-515	-161	-45	-70	-56	3	89	47
Income Tax	-128	-83	-273	38	125	-131	-179	63	80	36

Balance Sheet Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total Assets	5488	5606	3637	3458	3473	1860	1957	2104	2289	1964
Cash & Equivalents	8	6	5	3	2	5	1	276	267	116
Accounts Receivable	126	122	46	34	36	16	25	24	22	29
Goodwill & Int. Ass.	151	152	603	573	538	474	483	508	481	149
Total Liabilities	2160	2396	1676	1643	1558	1213	874	831	820	838
Accounts Payable	351	414	95	108	96	52	59	93	128	142
Long-Term Debt	732	889	1075	963	979	882	570	535	512	464
Shareholder's Equity	3328	3210	1961	1815	1915	647	1083	1273	1469	1127
D/E Ratio	0.22	0.28	0.55	0.53	0.51	1.36	0.53	0.42	0.35	0.41

Profitability & Per Share Metrics

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Return on Assets	-3.1%	0.2%	-5.9%	1.3%	7.8%	-44.8%	15.7%	9.0%	13.3%	-9.2%
Return on Equity	-4.8%	0.4%	-10.5%	2.5%	14.5%	-93.2%	34.7%	15.5%	21.3%	-15.1%
ROIC	-4.1%	0.3%	-7.6%	1.6%	9.6%	-54.0%	18.9%	10.6%	15.4%	-11.0%
Shares Out.	177.7	179.9	195.6	200.6	204.5	206.2	226.5	247.9	247.3	222.0
Revenue/Share	7.31	6.50	5.90	6.52	6.66	3.36	2.88	3.55	5.03	5.12
FCF/Share	-4.72	-2.85	-2.63	-0.80	-0.22	-0.34	-0.24	0.01	0.36	0.20

Note: All figures in millions of Canadian Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.