



Independent Stock Idea

January 19, 2016

Intraday

Canadian Oil Sands, Ltd. (COSWF) Farewell

<i>Symbol</i>	COSWF	<i>Ebitda Next Twelve Months ending 12/31/16 (US\$mm)</i>	290
<i>Rating</i>		<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (US\$/share)</i>	5.84	<i>Natural Gas and Oil Production/Ebitda (%)</i>	100
<i>Pricing Date</i>	1/19/16	<i>Adjusted Reserves/Production NTM</i>	18.0
<i>Shares (mm)</i>	485	<i>EV/Ebitda</i>	19.1
<i>Market Capitalization (US\$mm)</i>	2,800	<i>PV/Ebitda</i>	29.4
<i>Debt (US\$mm)</i>	2,700	<i>Undeveloped Reserves (%)</i>	0
<i>Enterprise Value (EV) (US\$mm)</i>	5,500	<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	8.03
<i>Present Value (PV) (US\$mm)</i>	8,500	<i>Present Value Proven Reserves(US\$/boe)</i>	13.06
<i>Net Present Value (US\$/share)</i>	12	<i>Ebitda Margin NTM (%)</i>	22
<i>Debt/Present Value</i>	0.32	<i>Earnings Next Twelve Months (US\$/share)</i>	-0.34
<i>McDep Ratio - EV/PV</i>	0.65	<i>Price/Earnings Next Twelve Months</i>	-17
<i>Dividend Yield (%/year)</i>	2.4	<i>Dividend Next Twelve Months (US\$/share)</i>	0.14
Note: Estimated cash flow and earnings tied to one-year futures prices for oil.			
Estimated present value presumes a long-term price for oil of US\$70 a barrel and natural gas, \$4.00 a million btu.			
For historical analysis of COS since 2002 see www.mcdep.com/4cos.htm			

Summary and Recommendation

We remove our Buy recommendation on **Canadian Oil Sands, Ltd. (COSWF)** after management agrees to accept a sweetened takeover offer from **Suncor (SU)**. The acquirer raised its offer to 0.28 a Suncor share from 0.25 and extended the deadline for tendering COSWF to February 5. The revised offer is conditional on 51% of target company shares being tendered, a threshold likely to be achieved. As result, the practical choices remaining are to sell COSWF shares before the deal is final or tender to SU and either hold or sell SU shares in the future. We have no plans to renew research coverage of Suncor. While we believe Suncor is an undervalued stock, there are other choices among the remaining 23 stocks in our coverage. We appreciate the extensive help with our research on their stock that current and predecessor managers of COSWF have provided us for some 15 years and more and we wish them well in the future.

Kurt H. Wulff, CFA

N.B. Two days after this analysis was distributed to clients we renewed our research coverage of Suncor (see *McDep Independent Stock Idea*, [Suncor Energy – Likely Acquirer of Canadian Oil Sands](#), January 21, 2016)



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Research Methodology/Ratings Description: McDep LLC is an independent research originator focused on oil and gas stocks exclusively. The firm applies the forty years of experience of its analyst to estimate a present value of the oil and gas resources and other businesses of covered companies. That value is compared with a company's stock market capitalization and debt. Stocks with low market cap and debt relative to present value tend to outperform stocks with high market cap and debt relative to present value. Buy recommendations are expected to deliver a total return better than 7% per year above inflation.