

## No. 9: Helmerich & Payne

By STACY RYBURN World Staff Writer | Posted: Sunday, September 27, 2015 12:00 am

Brand recognition and a well-kept balance sheet have made Tulsa's Helmerich & Payne a reliable investment despite the slump in oil prices.

Like everyone else in the oil and gas industry, H&P has felt the pinch of a low-priced oil environment. Its stock has fallen significantly from its 52-week high of \$105 to about \$53, right around the 52-week low.

The drilling company still delivers a nearly 5.25 percent dividend yield for investors — something attributed in large part to smart management, said Dan Safranek with Safranek & Associates, who ranked H&P No. 6.

“Everyone in the oil business knows it's cyclical,” he said. “If you're out long enough, you'll see an up cycle and a down cycle. Obviously we're in a down cycle right now.”

H&P's FlexRigs have become an industry brand-name standard for its customers — much like the iPhone is in the cell-phone world — and as a result, can charge a premium for its products, said research analyst Ying Qi with Fredric E. Russell Investment Management Co., who ranked the company No. 5.

“Even better, despite the premium H&P charges for its rigs, it still can complete wells for a lower total cost than its competition,” she said.

H&P also boasts one of the best balance sheets in the industry. While other companies may be trying to keep their heads above water from loans and debt, H&P does not have that problem, Safranek said.

It's basically impossible to find a company in the oil and gas industry that hasn't had some number of layoffs recently. H&P announced 2,000 such layoffs in January because of a reduction in rig use from falling crude oil prices.

All things considered, that \$50 per share stock could be a lot lower, Safranek said.

“In the long term, when this thing turns, they’re going to be right there ready to capture the market and capture opportunities, whereas other companies may have a lag time to kind of get up to speed,” he said.

In the third quarter, H&P reported about \$91 million in earnings, which was down about 53 percent from the \$192.3 million the company earned during the same time period in 2014.

Safranek and Qi both considered H&P to be a buy, especially in the long term.

“To me, H&P is an income-generating stock with upside appreciation opportunity,” Qi said.

The last few earnings reports have been a surprise on the upside, putting the company in a much better position than many analysts initially thought, Safranek said.

“In terms of stock, most of the downside has been taken out of it. How much farther could it go down? We’re close to the 52-week low here; it couldn’t fall down too much farther,” he said. “How much upside is there? It could be tough to get a rally if oil stagnates, but you’re still collecting 5¼ percent when waiting on the recovery.”



A Helmerich & Payne FlexRig5 works in south Texas. Courtesy



**Helmerich & Payne**

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**President and CEO:** John Lindsay

**Symbol (Exchange):** HP (NYSE)

**Operation:** Contract drilling company of oil and gas wells for exploration and production companies with land operations across the U.S., offshore operations in the Gulf of Mexico, and international operations in South America, the Middle East and Africa.