

Double Buys at Helix Energy

By CATHERINE SHU

Insider Tables: Buyers | Sellers

TWO INSIDERS AT Helix Energy Solutions Group have recently bought \$2.7 million in shares of the oil- and energy-production-services provider as they climb off the floor.

The company's executive chairman, Owen Kratz, shelled out \$2.1 million for 70,000 shares on Nov. 17, paying \$29.75 each share.

Helix Chief Executive Officer and President Martin R. Ferron bought 10,000 shares on Nov. 1 for \$31.20 per share, before purchasing an additional 10,000 shares on Nov. 13, when the stock was at \$30.96. He spent a total of \$621,600.

Helix shares have lost 33% since reaching a 52-week intraday high of \$45.61 on Jan. 20. The stock has tumbled along with its sector as oil prices dropped after hitting record highs in April of this year, hitting a 52-week intraday low of \$27.55 on Oct. 3. Then the company reported disappointing third-quarter earnings and revenue on Oct. 31.

Kratz's purchase is the largest he has ever made of Helix's shares, notes Ben Silverman, director of research at InsiderScore.com. Since March 14, Kratz has spent \$2.7 million on Helix shares over three transactions, while Ferron has bought \$1.1 million in stock in four separate purchases.

Kratz now holds 5.1 million shares directly. Including stock owned by Joss Investments Limited Partnerships, the general partner of which Kratz controls, his total holding of Helix stock is 6.1 million shares, or 6.5% of the company's 93.4 million outstanding shares. Ferron now owns 265,850 shares, or a 2.8% stake.

The number of the transactions is notable because executives at the company didn't buy stock in 2004 and 2005, though options exercises and stock sales by company insiders were routine, Silverman says.

"Both these guys are using weakness in the shares to look at the stock as undervalued," Silverman says, adding "I think these guys felt that the stock was oversold."

In a phone interview with Barron's Online, Kratz says that he had wanted to buy shares earlier, but had decided to wait because Helix had authorized a \$50 million share-buyback program in July and he wanted to give other investors a chance to purchase the stock first in case the size of his purchase held Helix's share price up.

Kratz says he made the purchase because he believes that "there is an awful lot of value to be unlocked in years coming up" in Helix shares. He says that investors have perceived Helix as an exploration and production company since it acquired Remington Oil & Gas on July 1, and assigned it a valuation multiple more akin to a company involved in exploration and production "rather than a service-oriented multiple."

As the company continues to divest its purchase of Remington, "the perception will shift back and people will realize what we are, which is a developer of fields, and we will start to get value back on the stock," he says.

Kratz attributes the disappointment with Helix's third-quarter earnings in part to the company's decision to raise guidance two months before its report. "That was probably a mistake," he says, but notes that the company maintained its full-year earnings-per-share forecast in the range from \$2.80 to \$3.20. Analysts are looking for \$3.06 a share.

Michael Painchaud, director of research at Market Profile Theorems, says that Kratz and Ferron's purchases boosted Helix's rating score to a 10 -- the top of the scale -- up from an 8, which was the previous top end of Helix's normal range. "I think this bodes well for the longer term," Painchaud says.

Analysts are also upbeat on Helix.

Jefferies & Co. analyst Stephen D. Gengaro maintained a Buy rating on Helix on Nov. 2. "Based on our belief in management, our positive view of the market, and the large gap between today's share price and our \$50 price target (based on sum-of-the-parts valuation), we are reiterating our Buy," wrote Gengaro.

In a phone interview, Matrix USA analyst Ivan Feinseth says he maintains a Strong Buy rating on the stock. Feinseth, who believes the stock's intrinsic value is in the high 30s, cites Helix's "good economic value drivers, strong revenue growth, economic return spread and economic momentum." In addition, Feinseth notes that the company's return on capital is significantly above its cost of capital, and has continued to grow over the past three years.