

Halliburton - An Undervalued Blue Chip Dividend Stock

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By Robert Hauver

Looking for undervalued dividend stocks? Energy stocks have emerged as the Rodney Dangerfields of the market in 2012, being the only sector that's still down, (-2.92%), after this new summer rally. However, the sector has pulled an impressive reversal, gaining over 8% since the June 4th lows. Halliburton, however, hasn't joined in the fun yet, losing -1.52% since June 4th, and is now down almost 14% year-to-date, as of 7/6/12:

TICKER	Performance YTD	Beta	Variance From 52-Week High	Variance From 52-Week Low	Relative Strength Index (14)
HAL	-13.87%	1.54	-49.12%	10.69%	49.92

In addition to being in an out of favor sector, Halliburton's 2012 earnings are flat, but, if you look to 2013, the picture gets brighter - HAL's EPS is estimated to grow at over 10%. Couple this with its historically low range P/E of 8.72, and you have undervalued growth. We also ran a discounted model for future Earnings growth, with a risk-free rate of 13%, and came up with an intrinsic value of \$61.00 for Halliburton.

Ticker	P/E (Trailing 12 months)	5-Year P/E Range	EPS growth 2011	EPS growth 2012	PEG: 2012	Estimated EPS Growth 2013	PEG: 2013
HAL	8.72	6.24 to 23.52	63.18%	-0.30%	-28.60	10.40%	0.84
		2011 Normalized Diluted EPS:	\$3.28	2012 Est'd Normalized Diluted EPS:	\$3.27	2013 Est'd Normalized Diluted EPS:	\$3.61

Option trading strategies vs. dividends: Although HAL isn't listed in our [High Dividend Stocks By Sector Tables](#), it does have some fairly high options yields.

The covered call trade listed below expires in October, and offers a call option premium of \$1.68, over 18 times the dividend amount. Since the \$30.00 strike is \$.93 over HAL's current strike price, there's an additional potential assigned yield of over 11% annualized.

You can see more details on this and over 30 other covered calls trades in our [Covered Calls Table](#):

HAL 7/6/12 PRICE PER SHARE	DIVIDEND PER SHARE \$ PAID PRIOR TO CALL EXPIRATION	ANNUAL'D DIVIDEND YIELD %	CALL OPTION EXPIRATION MONTH & STRIKE PRICE	CALL BID PREMIUM	ANNUAL'D CALL YIELD	TOTAL ANN'D STATIC YIELD	POTENTIAL ASSIGNED YIELD	ANNUAL'D TOTAL POTENTIAL YIELD
\$29.07	\$0.09	1.09%	OCT. 2012 \$30.00	\$1.68	20.28%	21.37%	11.23%	32.60%

Cash Secured Puts: Conversely, if you want to have an even lower break-even entry point, selling cash secured puts will do the trick. This put options trade has an *annualized yield of over 25%*, and gives you a break-even of \$26.87, very close to HAL's 52-week low.

You can find more info on this and over 30 other put trades in our [Cash Secured Puts Table](#):

HAL 7/6/12 PRICE PER SHARE	DIVIDEND PER SHARE \$ EX-DATES BEFORE PUT EXPIRATION	ANNUAL'D DIVIDEND YIELD %	PUT OPTION EXPIRATION MONTH & STRIKE PRICE	PUT BID PREMIUM	ANNUAL'D PUT YIELD	100% CASH RESERVE AMOUNT	BREAK-EVEN PRICE	52-WEEK LOW
\$29.07	\$0.09	1.09%	OCT. 2012 \$29.00	\$2.13	25.78%	\$2,900.00	\$26.87	\$26.28

Financials - HAL's Mgt. Efficiency ratios are superior to its peers, but it does have slimmer margins:

Ticker	Return on Assets	Return on Equity	Return on Investment	Total Debt/Equity	Operating Margin
HAL	14.37%	25.26%	17.23%	0.35	18.72%
Industry Avg.	4.67%	9.01%	5.17%	0.39	23.80%

Dividends: HAL pays a \$.09/share quarterly dividend, and a very low Dividend Payout Ratio:

Ticker	Company	Dividend Yield	Dividend Payout Ratio (Trailing 12 Mths)	Quarterly Dividend	Next Ex- Dividend Date approx.
HAL	Halliburton	1.22%	10.58%	\$0.09	8/30/12

Disclosure: Author has no current positions in HAL.

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