Did Crescent Point Do Enough in 2013 to Satisfy Investors?

Description

On Wednesday morning, **Crescent Point Energy** (TSX:CPG)(NYSE:CPG) reported earnings for the fourth quarter of 2013, and the results were quite positive. The company produced an average of 120,288 barrels of oil equivalent per day (boe/d), slightly surpassing the company's most recent target of 119,000 boe/d. Funds from operations totaled $5.28 per share, again slightly surpassing recent expectations of $5.20.

Crescent Point's results certainly delivered for shareholders. Net asset value (NAV) per share increased by 9%, to $38.13 per diluted share (using a 10% discount rate), about in line with the company's stock price. And that increase does not even include the company's 7% dividend, which totaled $2.76 per share for the year.

The numbers above are a result of Crescent Point's strong year operationally, one in which the company raised production targets four times. Crescent Point drilled over 700 wells during the year, and claims to have had a 100% success rate. Reserve additions were strong in its core Bakken/Torquay, Shaunavon, and Unita Basin assets.

The stock has reacted positively to the news, increasing on a day in which most of the TSX is in the red.

Still some concerns

Despite the good news, there are still some issues that investors need to be aware of. The first is the ever-increasing supply of light oil in the United States, which puts downward price pressure on Crescent Point's product. The Edmonton Par benchmark, on which most of Crescent Point's production is based, decreased by 9% relative to the West Texas Intermediate (WTI) price in January alone.

Second, Crescent Point recently got a new listing on the New York Stock Exchange. This could easily be a sign that management is more concerned with the stock price than with creating real long-term value for shareholders.

Third, investors get a bad deal from Crescent Point if they receive their dividends in cash. This remains the case – those who wish to invest in Crescent Point should enrol in the company's Dividend Reinvestment Program. And those who are looking for a nice cash payout should look elsewhere.

Finally, Crescent Point is expensive relative to its Canadian light oil peers. At least based on EV/reserves ratios, **Surge Energy** (TSX:SGY) appears more attractively priced. **Lightstream Resources** (TSX:LTS) may also be attractively priced; its stock has fallen more than 40% from its 52-week high and may be oversold.

Foolish bottom line

Crescent Point certainly had an excellent 2013, but still has a lot to prove to investors. If the company is again able to deliver on its promises, and is able to get a better price for its oil, then 2014 should see more gains for investors.

CATEGORY

1. Investing

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1. NYSE:VRN (Veren)
2. TSX:SGY (Surge Energy Inc.)
3. TSX:VRN (Veren Inc.)

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Date
2025/07/27
Date Created
2014/03/12
Author
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