Could Crescent Point Energy Corp. Double in 2015?

Description

Crescent Point Energy Corp. (TSX: CPG)(NYSE: CPG) is up more than 25% in just the past week and investors are wondering if the recent surge is the start of a new run that will extend right through 2015.

Let's take a look at the current situation to see if the company could soar much higher in the next 12 months.

New acquisitions

Crescent Point is already known for having a voracious appetite for acquisitions. In 2014 alone, the company spent roughly $2 billion to add new properties to its portfolio.

The company's CEO, Scott Saxberg, recently indicated the recent carnage in the oil sector is an opportunity for Crescent Point to buy top assets at very low prices. Competitors with weak balance sheets will be forced to sell, and the big guys, like Crescent Point, are sitting around like sea gulls at a chip truck, just waiting to gobble them up.

The result could be a much bigger and stronger Crescent Point Energy by the end of next year.

Production growth

Crescent Point has a great track record of increasing production. On November 7, Saxberg said he expects 2015 capital expenditures to be slightly below the 2104 levels. The extended slide in crude prices since he made the statement probably means the company will focus most of its capital program on the highest-return assets, but investors should still see solid production growth.

Given the number of companies that are likely to put themselves up for sale, Crescent Point's production could increase substantially through acquisitions next year, rather than through organic growth.

Either way, higher production in 2015 will help mitigate weaker oil prices.

Margin strength

In Q3 2014, Crescent Point reported an average netback of $54.24 per barrel of oil equivalent. The company's aggressive hedging program helped and will continue to do so in the current quarter, but Crescent Point is also very good at allocating capital in a way that maximizes the margins it gets on every barrel of oil.

Dividend history

Crescent Point hasn't cut its dividend yet. The company has a history of maintaining its payouts during difficult times, and that could turn out to be the case this time around. During the financial crisis, oil prices fell below $40 and the company held firm.

A small cut in the dividend at this point would probably be a prudent decision. Using the cash to buy distressed assets in the market could be more valuable to investors right now than simply putting the cash in their pockets.

A small cut would also remove the uncertainty about the dividend, and could even drive the shares higher.

Crescent Point pays a dividend of $2.76 that yields about 10%.

Should you buy?

At this point, the bottom is probably in for the stock. I think oil prices will stabilize and drift higher through 2015 as high-cost shale producers disappear and OPEC's members located in the Arabian Peninsula get nervous about being able to fund their generous social programs.

Oil prices would have to recover significantly for the stock to double from current levels, but it could happen if Crescent Point makes some large acquisitions for fire-sale prices and then decides to actually bump the dividend higher on the back of a recovery in crude prices.

Crescent Point isn't the only company that could surge in 2015. The following two stocks are also worth watching as we head into the new year.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:VRN (Veren Inc.)

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2. Investing

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