



Is Crescent Point Energy Corp. Canada's Top Oil Stock?

Description

The Canadian oil patch is in a state of chaos right now. Oil prices have dropped more than 50% in a mere six months and companies are now lining up to cut capital programs, slash dividend payouts, and send staff home.

When markets go through such volatile times, a smart investor with a cool head and a long-term outlook is able to take advantage of the carnage and pick up some fantastic investments at fire-sale prices.

Buying stocks in the middle of a massive rout certainly takes some guts, and it's nearly impossible to time the exact bottom. This is why it is important to focus on industry leaders with rock-solid balance sheets, fantastic assets, and a strong competitive advantage over their peers.

These stocks thrive on turbulent times and almost always come out much stronger.

Here are the reasons why I think **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) qualifies as one of those stocks.

Great assets

Crescent Point owns some of the most productive assets on the continent and its track record is unmatched when it comes to aggressively acquiring strategic properties. The company is also among the best in the patch when it comes to efficiently growing reserves through exploration and development.

In 2014 alone, the company spent \$2 billion to purchase new assets and allocated another \$2 billion to capital programs.

The current storm in the market is going to wash up some great buying opportunities for Crescent Point. The company has a strong balance sheet and investors should start to see some activity by the middle of the year.

Lower costs

On January 6, the company announced it was reducing its 2015 capital program by 28%. On the surface, the number looks hefty, but the company said it expects 2015 production to still come in at about 153,000 barrels of oil equivalent (boe) per day, a slight drop from the previously expected number of 155,000 boe/d.

The capital expenditure cuts could be partly accounted for by lower service costs from Crescent Point's contractors and suppliers. A lot of companies in the patch are scrambling to find work right now and the competition is going to bring down costs significantly for the producers.

During the 2009 oil rout, Crescent Point was able to reduce costs from service providers by almost a third.

Dividend safety

Crescent Point recently said it expects to hold its dividend steady through 2015. The company maintained its payout through the Great Recession and it has a stronger balance sheet now than it did in 2009. Crescent Point pays a dividend of \$2.76 per share that yields about 9.5%.

Should you buy?

Crescent Point has an excellent hedging program that helps offset the current low prices in the oil market. If crude prices are destined to settle at \$40 for the next five years, then every company in the sector is in trouble. If you believe that prices will begin to recover in the second half of this year, or even in 2016, Crescent Point is probably a solid bet.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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

Category

1. Energy Stocks
2. Investing

Date

2025/09/10

Date Created

2015/01/23

Author

aswalker

default watermark