



Is Crescent Point Energy Corp. the Top Energy Stock to Own Today?

Description

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG), one of the largest producers of crude oil and natural gas in North America, has watched its stock soar over 18% in 2015, and it has the potential to rise much higher over the next several years. Let's take a look at three of the top reasons why you should consider investing in it today.

1. Record production has driven earnings higher

Crescent released fourth-quarter earnings results on the morning of March 11, and its stock has responded by rising over 12% in the weeks since. Here's a breakdown of eight of the most notable statistics from the report compared to the same quarter a year ago:

1. Net income came in at a profit of \$121.36 million compared to a loss of \$13.72 million in the year-ago period
2. Reported earnings per share of \$0.27 compared to a loss of \$0.03 per share in the year-ago period
3. Funds flow from operations increased 7.4% to \$572.87 million
4. Total production increased 20.5% to a record 153,822 barrels of oil equivalents per day
5. Average daily production of crude oil and natural gas liquids increased 21.4% to 140,767 barrels per day
6. Average daily production of natural gas increased 11.9% to 78.33 million cubic feet per day
7. Cash flow from operating activities increased 28.3% to \$651.85 million
8. Capital expenditures increased 43.8% to \$698.26 million

2. The stock trades at inexpensive current and forward valuations

At today's levels, Crescent's stock trades at just 26.2 times fiscal 2014's earnings per share of \$1.21 and only 22.2 times fiscal 2015's estimated earnings per share of \$1.43, both of which are very inexpensive compared to its long-term growth potential and its five-year average price-to-earnings multiple of 370.9.

I think Crescent's stock could consistently command a fair multiple of at least 28, which would place its

shares upwards of \$40 by the conclusion of fiscal 2015, representing upside of more than 26% from current levels.

3. The stock has one of the highest yields in the market today

Crescent pays a monthly dividend of \$0.23 per share, or \$2.76 per share annually, giving its stock a very high 8.7% yield at current levels. There has been recent speculation that the continued weakness in commodity prices would force the company to reduce its dividend, but it generates ample funds flow from operations each quarter and year, so I think the risk-to-reward ratio favours buyers as of today.

Should you invest in Crescent Point Energy Corp.?

Crescent Point Energy Corp. represents one of the best long-term investment opportunities in the energy industry today. Record production has driven its earnings higher; its stock trades at inexpensive current and forward valuations; and its stock has a very high 8.7% dividend yield. Foolish investors should take a closer look and strongly consider beginning to scale in to long-term positions today.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

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

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