



Is Now the Prime Time to Buy Crescent Point Energy Corp.?

Description

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG), one of leading producers of crude oil and natural gas in North America, announced first-quarter earnings results on the morning of May 7 and its stock responded by falling over 1%. Let's break down the quarterly results to determine if we should consider using this weakness to begin scaling in to long-term positions, or if we should continue to avoid the stock for the time being.

Lower oil and natural gas prices lead to weak first-quarter results

Here's a summary of Crescent's first-quarter earnings results compared with its results in the same period a year ago.

Metric	Q1 2015	Q1 2014
Adjusted Earnings Per Share	\$0.06	\$0.52
Oil & Gas Sales	\$613.63 million	\$1.03 billion
Revenue, Net of Royalties	\$515.30 million	\$848.22 million

Source: Crescent Point Energy Corp.

Crescent's adjusted earnings per share decreased 88.5%, its oil and gas sales decreased 40.4%, and its total revenue, net of royalties, decreased 39.2% compared with the first quarter of fiscal 2014. These very weak results can be attributed to the steep decline in commodity prices in the last year, which led to the company's average selling price of crude oil and natural gas liquids decreasing 49.5% to \$46.82 per barrel and its average selling price of natural gas decreasing 45.5% to \$3.15 per thousand cubic feet.

Here's a quick breakdown of 10 other notable statistics from the report compared with the year-ago period:

1. Total production increased 17.8% to 153,854 barrels of oil equivalents per day

2. Production of crude oil and natural gas liquids increased 17.7% to 140,043 barrels per day
3. Production of natural gas increased 19.1% to 82.87 million cubic feet
4. Adjusted net income decreased 86.3% to \$28.27 million
5. Funds flow from operations decreased 25.3% to \$433.5 million
6. Funds flow from operations decreased 33.8% to \$0.96 per share
7. Cash flow from operating activities decreased 30.6% to \$398.71 million
8. Net debt increased 53.1% to \$3.54 billion
9. Ended the quarter with \$32.23 million in cash, an increase of 715.3% from the beginning of the quarter
10. Weighted average number of diluted shares outstanding increased 12.9% to 450.4 million

Should you buy Crescent Point Energy on the dip?

I think the slight post-earnings drop in Crescent's stock is warranted, but I also think it represents an appealing long-term buying opportunity.

First, commodity prices have slowly begun to recover over the last few weeks, and I think they will continue to do so in the next 12 months, with the price of crude oil heading back towards about \$75 per barrel, which will lead to higher sales and profitability for Crescent.

Second, Crescent pays a monthly dividend of \$0.23 per share, or \$2.76 per share annually, giving its stock a very high 9.1% yield and making it one of the top dividend plays in the market today.

With all of the information above in mind, I think Crescent Point Energy Corp. represents one of the best long-term investment opportunities in the energy sector today. Foolish investors should take a closer look and strongly consider using the post-earnings weakness to begin scaling in to positions.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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