



Why Crescent Point Energy Corp. Is a Great Turnaround Opportunity

Description

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) is nearing its 52-week low.

Two days after closing its acquisition of Legacy Oil+Gas, Crescent Point announced the acquisition of Coral Hill Energy Ltd.

On Friday the company announced that it could issue up to \$2.5 billion worth of Crescent Point common shares as a financing option for purposes such as repayment of debt and future growth opportunities. This is normal practice for a company of Crescent Point's size. Still, the market saw this announcement as share dilution, and on Monday the share price was dragged down by 5%.

The 12.1% yield and its sustainability

Crescent Point now yields a very juicy 12.1% yield. Both the Legacy and Coral Hill acquisitions are accretive to its reserves, production, and cash flow, making its dividend more sustainable.

Still, for the long-term sustainability of Crescent Point, the oil price needs to get back to the US\$60 levels. No matter what, it makes sense for Crescent Point to acquire quality assets now when they're priced cheaply as opposed to when the oil price is at US\$100 levels.

Crescent Point's dividend history shows that the company is behind its dividend. It has not cut its dividend since 2003. In fact, from 2003-08, the dividend increased from \$0.17 to \$0.23 per month.

Insider buying

Insider buying instills confidence in shareholders because there can be many different reasons to sell, but only one reason to buy—to make money, whether in terms of income or capital gains.

On July 8 Crescent Point Director Scott Saxberg bought \$78,740 worth of shares at \$25.40. On July 9 Director Gregory George Turnbull bought \$732,250 worth of shares at \$25.25. To balance it out a bit, on July 2 insider Gregory Tisdale sold \$129,200 worth of shares at \$25.84.

Top institutional ownership

Here's another confidence booster. At the end of March Crescent Point's top 10 institutions owned 25% of the company shares. Among them, the top institution is **Royal Bank of Canada**, which owns 6.7% of the shares. Other institutions that you may recognize include BMO Asset Management Inc., TD Asset Management Inc, CIBC Global Asset Management Inc., Franklin Templeton Investments Corp., and Vanguard Group, Inc.

Rare chance for a cheap price

Other than the huge downward action in 2014, the last time Crescent Point traded at the low \$20 levels was back in 2008-09 during the financial crisis that triggered a recession. Now, when most are running for the hills, it's time to dollar-cost average into Crescent Point if you believe in the company.

What should investors do?

Du to the 12% yield, it's a good time to buy Crescent Point shares whether you already own the shares or not. Any further dips are an opportunity to lock in the exceptional, above-average yield.

I just bought more Crescent Point shares at \$23 to reduce my cost basis per share. This is my way of [staying calm](#) when my stock goes lower. Of course, I buy more only if I think the company is still a good investment after doing more research.

I don't know when it's going to bottom out, but I have more room in my portfolio to add more shares later if I want to.

Crescent Point has the potential for double-digit capital gains; however, the oil price needs to recover, and even when it does, it probably won't get back to the previous highs. Investors need to be patient with a three- to five-year outlook.

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1. Dividend Stocks
2. Energy Stocks
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Author
kayng

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