Why Crescent Point Energy Corp. May Be the 1 Energy Company Worth Buying

Description

When it comes to investing in energy, it seems that there are no good options. Strong producers such as **Suncor Energy Inc.** are still trading at healthy levels and may not have much upside in the event of an energy rebound.

Weaker producers such as **Baytex Energy Corp.** have more upside in the event of a recovery, but they may not survive long enough to see it. After all, oil's recovery probably won't happen until these types of companies shut down.

So are there any energy companies actually worth betting on?

Well there's one compelling option, and it may not be the first one that comes to mind: **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG). We take a look at why below.

A low-cost producer

As oil prices continue to languish, Canada's energy companies have one saving grace: the weak Canadian dollar. Because the loonie has fallen so far, Canadian energy companies are far more competitive with their U.S. counterparts.

This is little consolation for all the heavy oil producers in Alberta. The province has always been known as a high-cost region, especially when factoring in the discounted prices that heavy oil fetches.

But Crescent Point mainly produces light oil in Saskatchewan, and this comes with superior economics. Saskatchewan geology is very favourable for energy drillers, as are the province's royalty rates. And with the Canadian dollar's fall, Crescent Point is now in a position to compete effectively with American shale drillers.

Other factors

There are a couple of other factors working in Crescent Point's favour. One is the company's reasonably strong balance sheet, which should help it survive even if oil prices fail to recover in the short term. Secondly, the company has over a third of its 2016 production hedged at an average floor price of $83 per barrel. Again, this should assist in keeping the company afloat.

Many investors like Crescent Point for the dividend, which currently yields more than 7%, even after being slashed last August. Personally, I actually think the dividend is a negative and that the funds would be better spent on further solidifying the balance sheet. It’s also worth noting that another dividend cut will probably be coming this year if oil prices remain below US$35 per barrel.

But there’s one more positive: Crescent Point’s shares have fallen by nearly 50% over the past 12 months (Suncor’s have fallen by less than 20% over this same period). Clearly, some of the shine has been taken off of the company, which may have created an opportunity.

That being the case, I still wouldn’t invest in Crescent Point, nor would I invest in any other energy company. The sector is clearly embroiled in a race to the bottom, and even if Crescent Point survives, the company will probably not emerge unscathed. Tread carefully with this one.

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Date
2025/07/21
Date Created
2016/02/24
Author
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