



Crescent Point Energy Corp.: Is it Safe to Buy Today?

Description

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) is taking a breather after the big run, and investors who missed the rally are wondering if this is an opportunity to step in and buy the stock.

Let's take a look at the current situation to see if Crescent Point deserves to be in your portfolio.

Cost controls

Crescent Point has done a good job of navigating through the oil rout.

The company held out as long as it could before cutting its famous dividend, but the moves from a monthly payout of \$0.23 to \$0.10 and then down to \$0.03 were smart ones.

On the operating side, Crescent Point has reduced production costs to the point where it can live within its cash flow at WTI oil of US\$35 per barrel or better. That's lower than most of its peers and is a strong indication of the quality of the resources as well as the management team's ability to drive costs out of the business.

Production outlook

Most companies are cutting capex to protect their balance sheets, but the reduction in drilling and exploration is also hammering output. That's not the case at Crescent Point. In fact, the company expects 2016 daily production to increase compared with last year despite a 40% reduction in capital spending.

Free cash flow

Crescent Point is looking at some decent margins if oil prices continue to rise. The company says it could generate \$600 million in free cash flow in 2017 if WTI oil averages US\$55 per barrel next year.

Is it time to buy?

At the moment, WTI is trading just shy of US\$50, and analyst predictions are all over the map as to

where it'll go next in the short term, so investors have to be careful.

Remember, the market staged a nice recovery through the spring of 2015 only to plunge again through the back half of the year.

Nonetheless, Crescent Point is in much better shape than many of its peers, and the potential to throw off such high levels of free cash flow opens up a lot of opportunities for the company and its investors.

Crescent Point has always been aggressive on the acquisition front, and it would make sense for the company to start picking up additional assets while the market is still under pressure.

Management might also decide to start raising the dividend again in an effort to lure income investors back into the name.

Another thing to consider is the possibility of a takeover by a larger firm. Crescent Point is sitting on some of the industry's top assets and has more than 7,500 identified drilling locations ready for development once the oil market recovers. Consolidation in the energy space is expected to start ramping up, and Crescent Point could find itself in the sights of one of the industry giants.

Risks still remain and another sharp downturn in oil would certainly hit this stock, but if you believe oil has bottomed and are willing to ride out some short-term volatility, Crescent Point looks like a solid bet right now.

CATEGORY

1. Energy Stocks
2. Investing

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1. Editor's Choice

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1. NYSE:VRN (Veren)
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