# Does Crescent Point Energy Corp. Deserve to Be in Your Portfolio Today?

## Description

**Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) is one of Canada's most popular energy stocks.

Let's take a look at the current situation to see if this oil producer deserves to be in your portfolio.



**Oil rout**

Crescent Point made a name for itself as the conventional oil producer with a dividend that could weather any storm.

The company maintained its payout through the oil crash during the Great Recession and held out as long as it could during the current rout.

Unfortunately, even Crescent Point had to finally cry uncle, and the company slashed the monthly dividend twice from $0.23 per share to $0.10 and then to $0.03, where it stands today.

Long-term holders of the stock aren't impressed, but those looking at starting a new position in the name like what they see.

**Cash management**

Crescent Point has done a good job of reducing expenses over the past two years. The business can now live within its cash flow at WTI oil of just US$35 per barrel–a full $5 per barrel lower than most of its peers.

Capital expenditures are expected to be 40% lower in 2016 than they were last year. That kind of belt-tightening often has a negative impact on output, but Crescent Point is actually targeting a slight increase in average daily production for 2016.

**Free cash flow**

Crescent Point's previous business model often came under fire. The company paid out a very large dividend that wasn't supported by cash flow but rather through a stream of equity issues.

The system worked as long as oil kept rising and dividend investors were willing to keep buying the new stock.

Today the company is attracting investors who are interested in a value play.

Crescent Point has a healthy balance sheet, and the rock-bottom operating costs are setting the business up to generate some serious free cash flow.

The company believes it could generate $600 million in free cash flow in 2017 if WTI oil average US$55 per barrel. Oil prices recently hit US$50, so the target isn't out of reach. If oil continues its recovery, Crescent Point could soon be flush with cash, and that would open the doors to a number of opportunities.

Dividend fans will hope for a return to the golden days of high payouts, but the company will likely use the funds to buy struggling competitors and boost development.

**Should you buy?**

Crescent Point is in a sweet spot in the market because it offers good torque on rising prices, but it's not at risk of going bust if oil plunges again.



I would be careful right now because oil could be setting up for another summer plunge, but energy bulls should keep some powder ready to take advantage of a pullback.

**CATEGORY**

1. Energy Stocks
2. Investing

**TICKERS GLOBAL**

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

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**Date**
2025/09/04
**Date Created**
2016/07/09
**Author**
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