



## Contrarian Investors: Should Crescent Point Energy Corp. Be a Top Pick?

### Description

**Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) is one of Canada's oil and gas heavyweights.

Let's take a look at the current situation to see if the company has what it takes to recover from the oil rout.

### Financials

Crescent Point reported Q2 2016 funds from operations (FFO) of \$404 million, down 23% from the same period last year. The weak results stem from lower average selling prices for oil, natural gas, and natural gas liquids. In fact, the company's revenue came in at just \$42.45 per barrel of oil equivalent (boe), down 25% from Q2 2015.

Production held up well despite significant cuts to the capital program. Crescent Point delivered production of 167,218 boe/d in the second quarter, up 10% year over year.

Spending on drilling and development capital was \$51.4 million for Q2, down from \$219.3 million last year. Capital expenditures are expected to ramp up in the second half of 2016 as the company targets 340 new wells at an expected cost of \$550 million.

Management says the company is on track to achieve the 2016 production target of 165,000 boe/d and full-year capital outlays should be within guidance of \$950 million.

Crescent Point is carrying about \$4.2 billion in long-term debt, which is manageable given the size of the company, and finished Q2 with \$1.4 billion in available credit facilities.

The management team continues to protect cash flow using an aggressive hedging strategy. As of August 5, Crescent Point had 45% of its remaining 2016 oil production hedged at \$75 per barrel (bbl). For the first half of 2017 the company now has 29% of oil output hedged at \$68/bbl.

On the gas side, Crescent Point has 50% of its remaining 2016 natural gas production hedged at \$3.31 per gigajoule (GJ) and 35% of the output hedged for 2017 to Q4 2019 at \$2.91 per GJ.

## Resources

Crescent Point owns some of the best land positions in the industry. The company has 936 million boe of proved and probable reserves and has identified 7,700 drilling locations. That represents about 14 years of drilling inventory.

As the energy patch continues to consolidate, investors could see Crescent Point take advantage of opportunities to add new assets.

## Should you buy?

Oil has pulled back from the spring high and looks like it might be setting up for another plunge in the fall. As such, I wouldn't buy any oil producer today.

However, Crescent Point is positioned well for an eventual oil recovery. The company is maintaining production while reducing operating costs, and it still boasts a strong balance sheet.

If you believe oil is headed higher over the long term, this stock should be on your radar. Contrarian investors with a buy-and-hold strategy might want to consider a new position on further weakness.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

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

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