



## Contrarian Investors: Is Crescent Point Energy Corp. a Buy?

### Description

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

Let's take a look at the former dividend darling to see if it deserves to be in your portfolio today.

### A look at the financials

Crescent Point generated Q2 2016 funds from operations of \$404 million. That's 23% lower than the same period last year.

Weak energy prices were the main reason for the slide as Crescent Point received \$42.45 per barrel of oil equivalent (boe) in the quarter—down about 25% from Q2 2015.

The numbers could have been much worse, but Crescent Point has done an excellent job of increasing production while reducing its capital expenditures.

The company produced 167,218 barrels of oil equivalent per day (boe/d) in the second quarter compared to 151,636 boe/d last year. For the first six months of 2016, production rose 13%.

Strategic acquisitions in the second half of 2015 helped boost output. Successful drilling also contributed to the gains.

Crescent Point significantly reduced its capital outlays, spending just \$80.2 million in Q2 compared to \$329 million in the same period last year.

Production guidance for 2016 is 165,000 boe/d, and the company expects to spend \$950 million on its development activities.

Liquidity remains strong with \$1.4 billion in unused borrowing capacity. Crescent Point finished Q2 with \$4 billion in net debt and is comfortably in compliance with all of its debt covenants.

## Growth

Crescent Point recently added two new strategic land positions to its portfolio, including attractive property in the Flat Lake resource play that has added 300 drilling locations.

The company has a strong track record of buying properties and boosting the resource base through targeted drilling. Investors should see the trend continue as other distressed assets come up for sale.

## Oil prices

Oil has pulled back after its surge to US\$50 per barrel in the second quarter. Pundits have mixed opinions as to where prices are headed next, and investors should expect more volatility in the near term.

Rumours of a production-freeze agreement between Saudi Arabia, Russia, and Iran are helping keep WTI oil above US\$40 per barrel, but many analysts are skeptical that a deal can be reached.

## Should you buy?

If you are a long-term oil bull, Crescent Point deserves to be in your portfolio. The company has a solid balance sheet and owns some of the best properties in the oil patch.

For the moment though, global oil output remains strong, and investors shouldn't put too much faith in any production-freeze announcements. As a result, I would keep the position small at the current price and look for opportunities to buy on further weakness.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

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

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## Date

2025/09/03

## Date Created

2016/09/07

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