Crescent Point Energy Corp.: Should You Own This Stock in 2017?

Description

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) has picked up a tailwind in recent days, and investors are wondering if more gains are on the way.

Let's take a look at the current situation to see if this stock deserves to be a top pick for 2017.

Tough times

Crescent Point has suffered along with its peers in the wake of the meltdown in oil prices.

Back in 2014 the stock traded for more than $45 per share and paid one of the top dividends in the oil patch.

As oil prices began to fall, Crescent Point made the necessary adjustments to its capital plan and even held the dividend for much longer than most people thought would be possible.

Eventually, management had to give in, and the beloved monthly payout was slashed from $0.23 to $0.10 and then again to the current level of $0.03 per share.

At the current stock price of $17.50, the dividend provides a yield of 2.1%.

Planning for a turnaround

Despite the steep drop from the 2014 highs, Crescent Point has actually weathered the storm reasonably well.

The company has made a number of strategic acquisitions and is now taking advantage of higher oil prices to increase its development spending for 2017, rising from $950 million to $1.4 billion.

As a result, Crescent Point says production should increase 5-8% next year.

Looking further down the road, the company is positioned well to benefit from a recovery in the oil market. Crescent Point has nearly 8,000 drill sites identified for development, representing about 14 years of inventory.

Oil market

WTI oil has been in the US$45-50 range for most of the past seven months, rising or falling on the hopes of an output cut from OPEC.

The market finally got the news it wanted on November 30, and oil stocks have rallied as a result. Crescent Point is up 15% in a week.

Can the rally continue?

Oil supplies remain abundant, and there is some concern among market watchers that Saudi Arabia might have a tough time ensuring its OPEC peers honour the reduction commitments.

For the moment, the group is receiving the benefit of the doubt, but supply will have to drop in the near term to keep oil from sliding back toward US$40 per barrel.

Should you buy today?

If you are an oil bull, Crescent Point should be near the top of your buy list for 2017.

At this point, however, most of the good news from the OPEC deal is priced in, so I would keep the position small and look to add on a pullback in the coming months.

CATEGORY

1. Energy Stocks
2. Investing

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1. NYSE:VRN (Veren)
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