Crescent Point Energy Corp.: At What Point Is This Stock Attractive?

Description

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) has fallen out of favour with investors.

Let's take a look at the current situation to see if the current weakness in the stock presents an opportunity to buy.

Oil price vs. the stock's performance

A year ago, WTI oil traded for close to US$43 per barrel. At the time of writing, it is selling for about US$54, representing a gain of better than 25%.

Crescent Point's stock, however, is actually down from $17 at the beginning of March 2016 to about $15 per share today.

What's going on?

Canadian oil producers have come under some pressure in 2017 as investors fret about the possibility a U.S. border tax.

Analysts have mixed opinions about the fears. Some believe a tax is on the way. Others feel the energy industry will be spared.

The U.S. Secretary of State is a former oil executive, so there is fair reason to believe Canadian oil producers might have a powerful friend in Washington, but President Trump remains unpredictable, so anything is possible.

Production growth

The tax concern aside, Crescent Point's stock slide appears more confusing when we look at the production profile.

The company has increased its capital plan in 2017 to the point where year-end production rates are expected to be at least 10% higher than 2016.

Management says it can deliver a 100% payout ratio on its current dividend as long as WTI oil averages US$52 per barrel or better through 2017.

At the moment, that seems to be a reasonable assumption, which means the company should be able to live within its cash flow this year.

Balance sheet

Crescent Point continues to maintain a solid balance sheet and has the financial flexibility to ride out another downturn, or make strategic acquisitions to boost the development portfolio.

Oil outlook

Oil prices are holding most of the gains that occurred in the wake of the OPEC announcement to trim production by 1.8 million barrels of oil per day through June. The group says it is meeting its targets, and the market appears to be buying the story.

On the negative side, U.S. production is ramping up again, and that is keeping WTI oil from moving above US$55 per barrel.

Should you buy?

Caution is probably warranted in the sector right now, but if you are an oil bull, and think the Canadian oil patch will avoid a border tax, a small contrarian position in Crescent Point might be worth a shot, and you can collect a 2.4% yield while you wait for better days.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Newscred
3. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date

2025/09/02
Date Created
2017/03/02
Author
aswalker