



Crescent Point Energy Corp.: Buy Now or Bail Out?

Description

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) remains under pressure amid ongoing uncertainty in the broader oil market.

Let's take a look at one of Canada's former dividend stars to see if it deserves to be in your portfolio today.

Tough times

Two years ago, Crescent Point traded for more than \$30 per share and paid a monthly dividend of \$0.23. Today, the dividend is a mere \$0.03 per month, and investors can pick up the stock for about \$13.20.

Income investors have pretty much fled by now, but contrarian types looking for a value play are kicking the tires.

Q1 results

Crescent Point generated Q1 funds from operations of \$427 million compared to \$378 million last year.

Adjusted net earnings came in at \$61.9 million, which was much better than the loss of \$5.2 million reported in the same period last year.

Net debt dropped from \$4.3 billion to \$4 billion.

Production outlook

Crescent Point delivered average Q1 production of 173,329 barrels of oil equivalent (boe/d), which was slightly ahead of guidance and about 8% higher than Q3 2016, when the company decided to boost its capital plan.

Management is expecting to exit 2017 with year-over-year production growth of at least 10%.

Drilling activities continue to produce strong results in the company's core areas, including the Williston Basin, Uinta Basin, and southwest Saskatchewan.

Crescent Point says it has 10 years of drilling inventory across multiple zones in the Williston Basin assets, plus additional opportunities in the other regions.

Liquidity

Crescent Point continues to have ample liquidity and financial flexibility to make strategic acquisitions. The company finished Q1 2017 with \$1.45 billion in untapped credit facilities.

Value play?

Oil prices have started to recover from the latest pullback, but the stock hasn't benefited as much as one would expect. Last year at this time, WTI oil traded for US\$51 per barrel, which is close to today's price. Crescent Point, however, is down about 40%.

The company issued new shares in the fall, which would have some impact, but the gap is still quite large considering the fact that production is increasing and the balance sheet is stable.

What's going on?

Investors might be unconvinced that OPEC's plan to reduce production will deliver the targeted price increases over the next six to nine months. Pundits are all over the map with their predictions with some calling for oil to drop to US\$40, and others saying it could surge to \$70.

Should you buy, sell, or hold?

Crescent Point owns attractive assets and has the financial flexibility to ride out another market dip. If you already own the stock, I would probably hold on at this point.

Contrarian types who can handle some volatility and believe oil is eventually headed higher might want to consider adding a small position on further weakness.

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