Should You Throw in the Towel on Crescent Point Energy Corp.?

Description

Oil stocks have been extremely painful to own for many Canadian investors, and unfortunately for us, the energy sector is a huge chunk of the TSX index. Many non-DIY investors who invest in Canadian mutual funds or ETFs have a considerable amount of exposure to the oil patch, but they may not realize it. However, if you're a DIY investor, you control everything your portfolio holds; should you even bother with energy stocks at this point? If your time horizon is below five years, the frustration of owning energy stocks may amplify depending on your choice of stocks.

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) continues to decline further into the abyss as worries over Canada's energy sector mount. There has been talk of activist investors jumping in to the stock, and many contrarians have been attempting to find a bottom, but they've ended up being drowned in a pool of disappointment up until now.

The stock nosedived 5.91% on Thursday and is now lower than it was during the trough of the oil crash experienced in the early part of last year. I didn't think it was possible with oil prices hovering around the $50 mark, and neither did value investors, but it happened, and things could start to get even uglier for Crescent Point, as well as other energy stocks, in the months ahead.

I think Crescent Point is in a better spot than it was during the trough of the oil crash last year. The management team learned some valuable lessons, and they've made efforts to try to cut costs and run a more efficient operation under the company's risk-management program.

The company's Q1 earnings results were nothing to write home about, and, unfortunately, the company's cash flow is still not enough to cover the dividend. Net debt has been chipped away and is now at $4 billion, and the company expects year-over-year production growth of 10% or more.

Should you dump your shares or hang on for the ride?

Canada's energy sector is extremely unattractive to the general public right now, but if you're a contrarian investor, that's probably music to your ears. I believe there's considerable value to be hadby picking up shares at current levels, but be warned: there's going to be volatility and potentially more disappointment over the short to medium term.

Oil prices could remain lower for longer, and if that's the case, Crescent Point will take an uppercut to the chin. I wouldn't dump my shares right now though. If you're a contrarian who's only concerned about the extremely long term, then I'd recommend picking up shares in very small chunks incrementally over the next few quarters to potentially improve your cost basis.

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joefrenette