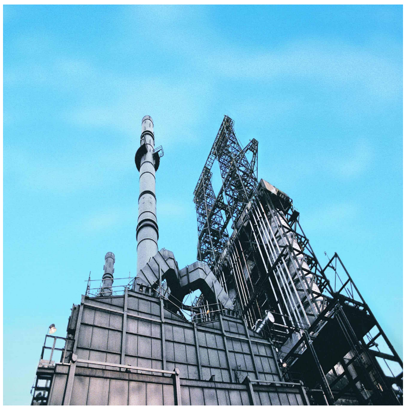

Crescent Point Energy Corp. Set a New 52-Week Low

Description

On Friday, shares of **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) declined under $10 for the first time in the past 52 weeks. In fact, the decline is the lowest price that shares have traded at over the past decade. Clearly, investors are beginning to lose hope in the long-term prospects of the company.

To put things into perspective, the high price over the past three years was above $47 per share when oil traded at US$105 per barrel. As the price of oil declined, shares of Crescent Point followed in tandem. At a price per barrel near US$43, the decline for the physical commodity has been close to 60% from the peak. For shares of Crescent Point, however, the price decline is much more. A drop from $47 to $10 per share represents a decline in excess of 75% over the same period of time.

Although the company paid dividends to investors along the way, shareholders have still lost substantially more in percentage terms than the percentage decline of a barrel of oil. While this will hopefully be corrected once the price of oil continues to rise, investors have to be patient and resilient.

Although the company is currently paying a dividend that has increased to more than 3.5% as a result of a lower share price, the history of the dividend is not fantastic. In 2015 and then again in 2016, the dividend was cut to preserve cash and allow the company to get through the difficult time. The challenging time was assumed to be “short term,” but it has now gone on for close to two years and is not expected to change drastically in the near future.

Given these difficult times, the company has not made any major investments in capital expenditures. Instead, over the past two years, the total amount of depreciation has been substantially higher than the total amount of investments in capital expenditures. Although there are maintenance requirements for all oil companies to be able to continue production, the growth will typically only flow through to investors when there are excess capital expenditures beyond the amount of depreciation. This leads to growing production.

The good news for investors is twofold. First, in reducing capital expenditures, the company is conserving cash. Second, Crescent Point (like many other oil producers) is not expanding the capacity to produce more oil. Instead, the capacity in place is being drawn down, and eventually the oil available will be depleted. With an eventual shift in supply and demand, investors may still need to be very patient before experiencing a resurgence in value of their oil investments.

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ryangoldsman