3 Reasons Why I Bought Shares in Crescent Point Energy Corp.

Description

Fall is here, the leaves are changing colour, and shares in **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) are up 19.6% since the start of the month.

After a careful review of the company's operations, I decided I wasn't willing to miss out on this opportunity any longer. I recently acquired a stake in a company which I believe offers an unbeatable combination of growth and value; moreover, I felt the timing couldn't have been better to initiate the trade.

The value is there

Crescent Point's common shares trade at just 60% of "book value," or the conservative measure of value on the company's balance sheet.

As of the end of the second quarter, Crescent Point had assets of $16.4 billion and liabilities of $6.8 billion. This means that if it absolutely needed to, the company could pay down all of its outstanding obligations and still have $9.6 billion of equity remaining.

Compare this to Crescent Point's current market capitalization of $5.3 billion, and it tells you shares are trading at a deep discount to their net asset value.

In addition to a discounted market value, Crescent Point shares also offer an attractive dividend yield of 3.43%. Shares pay a $0.03 dividend in monthly increments, which may be useful for income investors seeking a continuous income stream.

The 3.43% yield is above the current market average, and in combination with the low price-to-book ratio, it tells you Crescent Point shares score high marks on value characteristics, with the value style of investing having been proven to generate returns in excess of the market over the long term.

In addition to value, shares offer solid growth prospects

The truly exciting thing about an investment in Crescent Point shares is that the company has an incredible runway towards long-term growth in production, sales, and profits should conditions in the oil sands continue to improve.

In fact, the majority of Crescent Point's acreage is undeveloped today.

And while that's because many of the company's reserves are unprofitable at today's prices, should energy prices return to levels previously enjoyed prior to the current downturn, the company would find itself in the enviable position to grow annual production significantly for some time.

Even in the absence of higher oil prices, management and the board of directors have been aggressive in securing a future for the company, with production expected to increase 4.5% in the second half of this year and into the first half of next year.

It's great to see the company isn't hesitating to grow market share amid what has been a challenging environment for energy producers.

The energy market appears to be rebounding

After what has been, for the most part, a pretty quiet couple of months, there are encouraging signs the energy sector is starting to break out.

Energy has been the weakest sector so far in 2017, but it was the strongest sector over the last week and the last month.

Prices for Brent crude, the international benchmark for oil prices, are already in a bull market, up 25% since June.

And the differential between Brent and West Texas Intermediate (WTI) crude is at a two-year high, partially owing to recent storms in the U.S., but this suggests WTI still has room to run.

If the price of WTI crude, currently trading at US$50.68, can stay above US$50 for the foreseeable future, Crescent Point should have no problems maintaining its current dividend, suggesting shares are a strong buy.

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