5 Takeaways From Crescent Point Energy Corp.'s Q3 Results That Make it a Buy

Description

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) released its Q3 results in the last week of October. The company posted a per-share loss of $0.50 compared to a loss of just $0.21 a year ago. Crescent Point saw sales rise 10% year over year as production was up, but the financials took a big hit from a $306 million impairment charge.

Despite the disappointing results, there are five positives to pull from the earnings report that suggest the stock could be a good buy.

Net income would have been an improvement over last year if not for asset impairments

Without the impairment write-down of $306 million, the company's net income before tax would have totaled a loss of $48 million and would have been a big improvement over the $122 million pre-tax loss that Crescent Point recorded a year ago.

The company's adjusted earnings in Q3, which exclude impairment as well as unrealized gains and losses, were $33 million compared to a loss of $22 million in the prior year.

Production was up in the quarter

In Q3, Crescent Point averaged daily production of 176,069 barrels, which was 15,000 more barrels than what the company averaged a year ago. These results come as a result of Crescent Point's operations improvement program, where the company has made efforts to reduce downtime and increase efficiency.

Cash flow improved and continues to be strong

Crescent Point brought in $437 million in cash from its operating activities in Q3, which was a 32% increase from the prior year. Funds from operations totaled $389 million and were also up 6% from 2016.

The company increased its guidance

Average production for 2017 is expected to be 175,500 barrels per day, up from the previous estimate of 174,500. The company pointed out that in the previous quarter, it also increased its guidance, and this could be a sign of things to come, as another oil and gas company noted that it was seeing demand pick up for next year.

Hedges are in place until 2019

Crescent Point said in its release that it was still adding oil hedges during Q3 and that "48% of fourth-quarter 2017 oil production, net of royalty interest, and 25% of first half 2018 oil production, net of royalty interest, are hedged at a weighted average market value price of approximately CAD$70.00/bbl."

The company also has natural gas hedges in place until the second quarter of 2019.

These hedges present lots of stability for investors because they know that fluctuations in the price of oil will not adversely impact the company's operations in the short term, and they make Crescent Point a much safer investment compared to companies that have not hedged their risk and overall exposure to oil prices.

Should investors buy Crescent Point?

Year to date, the stock has lost nearly half of its value, and it could be a good opportunity to lock in a low price for an investment that could see a lot of upside. Crescent Point has shown a lot of progress, and rising production combined with secured oil prices should be a recipe for stronger financial performance.

Although the company's long-term future is ultimately going to be significantly impacted by the price of oil, in the near term, it should provide a relatively stable investment in the oil and gas industry, as it is a great value stock.

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djagielski