



An Explanation of My Top Stock Pick for December

Description

After selecting **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) as my top stock for the month of [December](#), there has yet to be a catalyst to drive shares materially higher. At a price slightly above \$9 per share, investors still have the opportunity to get into this investment and receive a dividend yield paid on a monthly basis which is close to the 4% mark!

With shares moving sideways for more than two months, the simple moving averages (SMA) of the security are starting to show a clear bottom, which will lead to an inevitable [breakout](#) as long as oil remains above the US\$55 mark. The price per barrel of oil for delivery in January is approximately US\$57.50.

Given that the company is able to deliver its product currently under production at a set price for still at least one more month (potentially more), investors need not worry about the remainder of the current fiscal quarter, as the company has hedged the risk. Although there have been a number of challenges in this sector over the past few years, the current price of oil may finally be bringing back a more consistent supply/demand equation into the market.

In spite of bottom line profits being difficult to come by, investors need not worry about the sustainability of the dividend or the chance that the company won't make it through the storm. As of the most recent quarterly financial statements, there was \$74 million in cash on the balance sheet and \$300 million in accounts receivable. To boot, the cash flow from operations (CFO) for the first three quarters of fiscal 2017 was no less than \$1.2 billion, while dividends accounted for only \$148 million. The dividend payments are more than safe for years to come.

The potential for unlocking value for this company remains hidden in the tangible book value per share. Although shares trade at close to \$9, the value left for shareholders after paying all debts is close to \$17 per share. The catalyst may come in the form of investors seeking to realize the value of these assets once the company shows a profit on a more regular basis. At relatively lower oil prices, many oil companies incurred regular negative cash flows on an ongoing basis and sought out ways to stay afloat, which included the selling of assets at substantial discounts to their actual cost (and then market values).

The challenge that investors of Crescent Point Energy Corp. face is the ability to realize the company's full value, which will only become easier as oil prices continue to increase. With higher oil prices, profits from operations will once again pick up, which will motivate companies to own more oil-producing assets. With the potential for this to lead to higher resale prices, shares of this well-known oil entity remain a top pick for the foreseeable future.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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2. TSX:VRN (Veren Inc.)

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