Is Crescent Point Energy Corp. a Good Tax-Loss Play?

Description

Many investors who believe that some companies may experience a bump in valuations following the tax-loss month of December may have missed the window to take advantage of companies that have been sold off for tax losses at the end of 2017 to realize losses and move forward.

With companies such as **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) rebounding more than 20% since mid-December lows (with much of the valuation decrease largely considered to be linked to tax-loss selling), the question of whether this trend is likely to continue or if the recent monthly increase of approximately 20% is now over remains.

Investors with a bull position on Crescent Point have a few things to cheer.

On January 10, Crescent Point's management team released increased targets for the upcoming year, which have generally been met with some level of investor optimism, as investors continue to look for value among many of the Canadian oil and gas stocks that have been hit hard in recent years.

The company's current dividend yield of approximately 3.3% has also provided a positive for investors looking for income-generating stocks. Despite a relatively high dividend-payout ratio, expectations that Crescent Point will continue to maintain its dividend, at least in the near term, have led to a small buffer of sorts for investors hoping for improved operational performance from Crescent Point.

That said, the bear case for Crescent Point relates to many of the uncertainties relating to those points.

In terms of dividend yield, Crescent Point's balance sheet is simply not as strong as many of its peers, and with a payout ratio above 100%, questions certainly persist as to the ability of the company to continue to maintain or grow its dividend over time. These concerns are compounded by uncertainty and perhaps skepticism as to the ability of Crescent Point's management team to realistically hit the targets set out in its recent forward guidance.

With a relatively high debt-to-cash-flow ratio, Crescent Point continues to have competing prioritieswith respect to shareholder distributions, and as such, it remains a relatively speculative play forinvestors hoping for a continued rebound in Crescent Point's share price moving forward.

Bottom line

Crescent Point has provided investors with a nice bump over the past month, and as such, it can be viewed as an interesting way to play a company which has perhaps seen a valuation decline that was not warranted in December. That being said, I believe other excellent options exist for investors to play a rebound in the Canadian oil and gas space, and I will remain on the sidelines on this one.

Stay Foolish, my friends.

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