Don't Miss This Great Opportunity to Buy Crescent Point Energy Corp. on the Dip!

Description

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) reported results for the fourth quarter and full year yesterday on March 1.

Some have called it a bit of a "mixed bag" with some good and some bad news, but in a market that has been a little on the "shaky" side as of late, it doesn't take much to spook investors, and shares were sent spiraling down 9% for the day and 12% so far for the week.

When you take the time to parse the tea leaves, it seems most of the concerns stemmed from expenses that came in a little over budget and a little above most analysts' expectations.

Particularly when many operators in the oil sands have been aggressively cutting costs to save money in recent years, when the market sees a company that doesn't appear to be following suit, it can get skittish and wonder exactly what is going on.

In the fourth quarter, Crescent Point reported that operating expenses rose by 5.4%, but the bigger issue was that the company's investments in capital projects — think investments in future oil production — jumped by 17% over the year-ago period.

But folks, don't fret — there's a logical explanation behind this.

The company initiated its first-quarter 2018 development program in December. Essentially, Crescent Point was getting a head start on the competition, which is actually a good thing.

Despite that, everything else sounded great on the company's conference call.

The company exceeded its previously announced production guidance in 2017, averaging 178,975 boe/d, and exited the year at more than 183,000 boe/d — +10% more production than when it started.

Cash flow was also strong in 2017. The company reported funds flow from operations (FFO) of $1.73 billion in the fourth quarter and was up more than 17% for the full year.

Part of that cash flow was used to retire $111 million in debt during the fourth quarter, while the rest was used to finance the company's 4.26% dividend and reinvest in the aforementioned development projects that will drive Crescent Point's growth for years to come.

For 2018, the company is forecasting capital expenditures of $1.8 billion, average production guidance of 183,500 boe/d, and exit production of 195,000 boe/d, which would be 7% higher than where it ended 2017.

Bottom line

If the cost overruns are concerning, it's because Crescent Point finds itself walking a very fine line in investing in future production and maintaining its dividend payout.

Should the problem persist into 2018, a dividend cut could be a possibility, yet the company's light oil assets are certainly paying for themselves today amid the currently depressed prices for Canadian heavy oil.

Even if a dividend cut does happen, an independent engineering analysis recently revealed that Crescent Point's net asset value might be worth as much as $24.44 in an environment of escalated pricing, making the latest setback a great opportunity to buy this high-quality name, which you'll be able to hold on to for years to come.

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