Is Crescent Point Energy Corp. (TSX:CPG) Stock About to Soar to New Heights?

Description

Based in Calgary, Alberta, **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) is one of Canada's largest lights and medium oil producers.

Following a 43% rally in April, shares of Crescent Point appear to be on the verge of what could be another huge breakout.

How high can the company's stock price go?

Understanding Crescent Point's three-point business strategy

Since its founding back in 2001, Crescent Point has always adhered to its straightforward three-point business strategy.

That strategy is centered around a focus on growth, managing risk, and developing assets.

The growth aspect comes from a drive to expand the company's production base by way of taking of advantage of a pristine balance sheet.

Investments in production have helped the company grow its revenues by a compounded average growth rate in excess of 11% per year.

Managing risk refers to the company's use of a hedging program that it uses to lock in favourable prices for its drilled oil when the opportunity is available. That strategy has proved particularly successful in recent years with oil prices depressed and the company locking in over a third of its production at prices well above where the market for oil prices finds itself right now.

The third point is interesting, as it points to the attractive long-term potential of the company's undeveloped assets.

Right now, the majority of Crescent Point's assets remain undeveloped, meaning that the company has a long runway of growth ahead of it should oil prices co-operate and stay at a level high enough to make those assets economical.

Crescent Point has 8,000 locations of low-risk development inventory, giving it a project portfolio that makes it a leader among other exploration and production (E&P) companies of its size.

The opportunity for shareholders today

Oil prices have rallied sharply since the start of 2016 including a 58.4% gain since June 1 last year.

Yet for the most part, Crescent Point has not really participated too much in that rally with the exception of the 43% spike back in April.

That has a lot to do with the fact that prices for Canadian oil haven't been able to keep pace with the price of West Texas Intermediate Crude (WTIC) the benchmark for U.S. oil prices because of some unwelcome transportation bottlenecks that have resulted in an oversupply of Canadian crude.

However, over the past week, the price of Western Canada Select (WCS), the Canadian benchmark for crude oil has rallied 14%.

Bottom line

Following the 43% April rally, Crescent Point shares have given back some of those gains, falling from a high of $11.75 back down to $9.87 on the TSX.

But Foolish investors needn't read too much into the latest pullback.

Minor sell-offs, sometimes called "retracements" by market technicians are an regular part of the markets, and the best part is that their occurrence in many cases creates great trading opportunities.

In the case of Crescent Point, the latest pullback has created what to this author looks like a pretty attractive chart set-up with the current stock price sitting just above the 200-day moving average– a bullish indicator indicating that the company's shares could be overdue for a big move that could come any day now.

Stay Foolish.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:VRN (Veren Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred

3. Sharewise
4. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/08/14
Date Created
2018/06/17
Author
jphillips