Crescent Point Energy Corp. (TSX:CPG) Is One of the Cheapest Energy Stocks With Great Growth Potential

Description

The past few years haven't been kind to **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG). Investors who have been holding shares for the last 10 years actually lost money, as the stock has a 10-year compound annual growth rate of return of -2%. Last year was particularly bad, with the stock plunging over 45%.

Like other energy stocks, Crescent Point has been hurt by low oil prices. But unlike many of them, Crescent Point's stock has had trouble regaining ground and catching up with the rise in oil price. The stock is slowly recovering and is up 6% year to date. In contrast, **Cenovus Energy Inc.** has soared 24% since the beginning of the year.

A new strategy to improve the stock's performance

The oil and gas producer has been criticized by activist investor Cation Capital, which attributed its poor stock performance to overspending and overly generous executive compensation.

Crescent Point is taking measures to improve its stock performance. Among those measures, the energy company is adjusting its executive pay criteria and making changes to its management team.

In May, Scott Saxberg stepped down as CEO of Crescent Point after 15 years of service. Craig Bryksa has taken over as interim president and CEO of the company.

The company also cut $25 million from 2018 capital spending, so its spending this year will fall to $1.775 billion. To pay down debt, Crescent Point announced last month that it will sell non-core assets in the Williston Basin for proceeds of approximately $280 million.

Crescent Point is focusing on key value drivers as part of its revised business strategy. This includes improving its balance sheet with disciplined capital allocation and cost reductions.

These value drivers should help the company to achieve a higher rate of return on capital employed, less debt and more free cash flow, which should improve the company's long-term profitability and sustainability.

Crescent Point reported a net loss of $91 million, or $0.17 per share in its 2018 first quarter, compared with a net profit of $119 million in the same quarter one year ago. Analysts had expected a profit of $0.07 per share.

Crescent Point's operating earnings were $63 million in the quarter compared to $62 million a year earlier.

The company reported a production of 178,400 barrels of oil equivalent per day, up from 173,300 boe/d in the same period last year.

Crescent Point cut its dividend at the beginning of 2016, when the collapse in oil prices hit the company's earnings. The monthly dividend of $0.10 per share was reduced to $0.03 per share; the dividend hasn't been hiked since then. The yield of 3.6% still makes the stock interesting for income investors.

High growth for a low price

Crescent Point has a forward P/E of 17.86 and a five-year PEG ratio of only 0.15, which means the stock is very cheap regarding the company's expected growth over the next five years. Indeed, earnings are expected to grow at an average annual rate of 232% over the next five years, which is very high.

The stock has risen only 6% year-to-date and has a great deal of upside potential, so you should buy Crescent Point while it's trading for a low price before the stock catches up with the price of oil.

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sbchateauneuf