Is Crescent Point Energy Corp. (TSX:CPG) Stock a Buy Today?

Description

The recovery in the oil market is providing a much-needed boost to many producers, but some of the stocks in the energy sector continue to trade near multi-year lows.

Let's take a look at **Crescent Point Energy** (TSX:CPG)(NYSE:CPG) to see if it might be an interesting contrarian pick for your portfolio.

New leadership

Crescent Point has a new management team after the company's founder and a handful of long-serving senior executives stepped aside. The shift came amid increasing pressure from shareholders to get the business back on track.

For years, Crescent Point was a favourite pick among dividend investors who liked the company for its steady and generous payouts. Unfortunately, the oil rout lasted longer than expected, and once the hedging positions started to expire, Crescent Point was forced to trim the monthly distribution from $0.23 per share to the current level of $0.03. That's good for a yield of 4.2%.

As a result, income investors bailed out and the stock slipped from $45 in 2014 to a low of $7 last month. The recent upswing in oil prices has enticed bottom feeders to start buying, and Crescent Point is currently trading at $8.50 per share.

The company is now focused on shoring up the balance sheet with net debt expected to fall by $1 billion by the end of next year. Crescent Point plans to sell non-core assets identified after a strategic review this summer and is working hard to reduce operating costs. The company cut 17% of its workforce for annual savings of $50 million.

Funds from operations are expected to exceed capital expenditures and dividend payments in 2019, with free cash flow allocated to paying down debt. This is based on the assumption WTI oil will average US$65 per barrel. At the time of writing, WTI trades for US$75, so there is a chance the companycould see much better free cash flow. With the hedging positions taken into consideration, everyadditional $1 change in the average WTI price translates into about $45 million.

Should you buy?

The stock has rallied 20% in less than a month, and more gains could be on the way if the market starts to think the oil rally is going to carry through next year.

Crescent Point owns attractive light-oil assets and that could make it a takeover target, especially while the stock continues to trade as such a low price.

If you have a contrarian investing style and are bullish on oil, it might be worthwhile to add a bit of Crescent Point to the portfolio while the stock remains out of favour.

Other opportunities in the market are also worth considering today.

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