



Is This Fallen Dividend Darling Poised to Bounce Back?

Description

The last five years have been particularly harsh for investors in one-time energy patch darling **Crescent Point Energy** (TSX:CPG)(NYSE:CPG). Prior to oil's collapse and subsequent sustained slump, the Canadian upstream oil producer had become an almost household name because of its regular monthly dividend, juicy yield, and almost constant acquisitions.

Since the downturn commenced, Crescent Point has slashed its dividend three times to preserve cash flow and protect its balance sheet. That — along with a history of failing to deliver value for investors, being a serial diluter of shareholders, and with weak oil — saw its stock roughly handled by the market. Despite the North American benchmark West Texas Intermediate (WTI) only losing around 14% over the last year, Crescent Point has lost a whopping 50%.

In order to tackle the issues, the driller undertook a strategic review and subsequently embarked on a turnaround aimed at strengthening its balance sheet, boosting the return on capital deployed, and bolstering profitability.

Credible results

Crescent Point's latest results indicate that the company is gaining considerable traction with implementing its [strategic plan](#). Operating expenses per barrel produced were down by 1% year over year to \$12.77, but transportation expenses of \$2.10 a barrel were 6% higher because of increased trucking activity. To reduce the impact of price differentials between Canadian light crude and WTI as well as to reduce the impact of existing pipeline capacity constraints, Crescent Point ramped up the volume of trucking activity, leading to higher costs.

In a particularly positive development, Crescent Point's first-quarter netback of \$34.68 per barrel produced was 7% greater than a year earlier, despite a weaker average realized oil price and higher transportation costs. That can be attributed to lower royalties, reduced lifting costs and a positive gain from its oil hedges.

On an important note, in accordance with its turnaround plan, Crescent Point reported significantly

lower general and administrative costs, which, at \$1.21 per barrel pumped, were a very healthy 21% lower year over year. The driller's interest expenses were also lower falling by 3% to \$2.58 per barrel.

This gave Crescent Point's profitability a solid lift, seeing it report net income of \$150 million, which was 2.5 times greater than for the equivalent period in 2018.

It is also making considerable progress with strengthening its balance sheet. Crescent Point reported that at the end of the first quarter, long-term debt was down by 3% year over year to \$4.1 billion. The driller finished the period with almost \$26 million in cash and unused credit capacity of \$1.7 billion. Crescent Point has also been able to reduce its total debt to 2.1 times EBITDA, which is well within its debt covenants.

Those solid first-quarter results place Crescent Point on track to achieve its 2019 guidance, where it anticipates producing 170,000-174,000 barrels of crude daily; at the upper end, that is a mere 2% lower than 2018. The slight decline in oil output can be blamed on earlier non-core asset dispositions, reduced capital spending, and the push to make operations self-funding.

Crescent Point has also mitigated the risk of another [oil price collapse](#) by implementing a commodity hedges that protect round 45% of its oil production from lower prices.

What does it mean for investors?

If Crescent Point can consistently demonstrate to the market that it can turn its operations around, boost profitability, and make capital expenditures self-funding, then its stock should soar. Based on the driller's latest results and the improved outlook for crude, there is every likelihood that earnings will grow, making now the time to buy.

CATEGORY

1. Energy Stocks
2. 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. Energy Stocks
2. Investing

Date

2025/08/26
Date Created
2019/05/14
Author
mattdsmith

default watermark

default watermark