3 Positives to Take Away From Crescent Point's (TSX:CPG) Q1 Results

Description

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Crescent Point Energy Corp (TSX:CPG)(NYSE:CPG) could be one of the best bargains on the TSX right now. The stock is trading nowhere near its book value, and with it reporting a strong Q1 to start 2019, now could be a great time to buy.

Let's take a closer look at the results and why the performance in the first quarter was so impressive.

Small $2 million profit could have been much bigger

A year ago, Crescent Point recorded a significant loss of $91 million; therefore, breaking even this past quarter was a big success. However, the company could have done even better had it not been for derivative losses totalling $259 million, which one year ago were just $71 million.

Even if the losses were simply the same as a year ago, that would have meant an additional $188 million added to Crescent Point's bottom line this quarter.

However, it should be noted that the bulk of the losses have been unrealized. And as oil prices stabilize and show more consistency, it's likely that we'll see Crescent Point and other companies shift away from hedging activities, which in turn will lead to less volatility.

Many cost reductions achieved

Operating expenses were down more than $300 million during this past quarter, although more than $217 million of that improvement was a result of foreign exchange gains and losses.

The company still made good progress in other areas, however, with interest costs down, general and administrative expenses showing improvement and Crescent Point also incurring lower depletion and depreciating costs as well.

The company has remained committed to its goal of controlling its costs, which is an excellent sign for investors. That discipline will help result in stronger quarters going forward, especially if the industry starts gaining some much-needed momentum.

Without all the efficiencies gained and savings realized, Crescent Point would have easily landed in the red.

Positive free cash flow for the fourth straight quarter

During the quarter, Crescent Point showed a significant reduction in its capital expenditures, spending about half of what it did in the year before. As a result, the company was able to generate free cash flow of $22 million, which is a big improvement from the $286 million that it burned through a year ago.

What's even better is that Crescent Point has been able to show some consistency in generating positive free cash in each of the past four quarters. Although the amounts have been decreasing, it's a good sign to shareholders that things look to be improving.

In 2018 and 2017, Crescent Point had negative free cash of $206 million for the two years combined. In the past four quarters, however, it has made up for that deficiency as free cash has totalled $238 million.

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Bottom line

Crescent Point has struggled in the past year with its stock losing more than half of its value, but with results like these there's definitely hope for the future. In just the past three months, Crescent Point's stock has risen 40% and it's still nowhere near its high for the year or its book value. Buying today could produce significant returns for investors willing to take on some risk.

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