# Could Crescent Point Energy (TSX:CPG) Stock Regain its Glory?

**Description**

The rout in the Canadian energy sector has lasted five years, and many of the former high-flying stocks are trading at a fraction of their previous prices.

Contrarian investors are kicking the tires on some of the beaten-up names as a rebound in Western Canadian Select (WCS) and West Texas Intermediate (WTI) oil prices offers some hope for the troubled oil producers.



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

## Tough times

Crescent Point used to be a favourite pick for income investors. The company had demonstrated a strong track record of maintaining a generous payout through the downturn during the Great Recession, and many investors assumed it would do the same when the oil rout began in 2014.

The use of hedging positions enabled Crescent Point to hold out longer than many of its peers, but the extended downturn took a toll on cash flow. Once the hedges began to expire, Crescent Point was forced to trim the distribution.

How bad has it been?

Five years ago, Crescent Point traded at $45 per share and paid out a monthly dividend of $0.23. Today, investors can pick up the stock for $4.30 and the monthly dividend is $0.01.

## Debt

Crescent Point had net debt of $3.6 billion at the end of the second quarter. That's a big load for a company with a current market value of $2.35 billion. If oil prices tank again, Crescent Point would have trouble generating adequate cash flow to both pay down the debt and maintain the capital program needed to drive higher production.

In the past, Crescent Point was able to issue new stock to raise cash needed for acquisitions and capital spending. Times have changed and that source of funding is no longer available due to the depressed share price and a change in attitude among investors who used to gobble up the stock.

## Opportunity

Oil prices are now at levels where Crescent Point is chipping away at the debt, with net debt down $450 million in the first half of 2019. If the market can stage a sustained recovery through the end of this year and into 2020, the stock could see a new inflow of funds on improved confidence. Based on the progress in the first half of this year, Crescent Point could potentially reduce net debt to zero in the next four years.

## Should you buy?

Crescent Point owns attractive light-oil resources and it wouldn't be a surprise to see the company become a takeover target. A large premium probably isn't in the cards, but the combination of an oil rebound and a pick-up in acquisition activity in the energy sector could drive the stock back toward $10 per share, where it traded last year.



Contrarian investors who are bullish on oil and can handle some ongoing volatility might want to consider buying Crescent Point stock at this level.

**CATEGORY**

1. Energy Stocks
2. Investing
3. Stocks for Beginners

**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
3. Stocks for Beginners

**Date**
2025/07/05
**Date Created**
2019/07/25
**Author**
aswalker