1 Top TSX Energy Stock to Buy in August 2021

Description

Investors looking through the turmoil of the pandemic to the "other side" may be looking to add an energy stock or two to the portfolio. Indeed, there's a tremendous amount of future growth investors are looking to take advantage of with energy picks. The economy is moving forward nicely, and energy stocks fit the mantra of many long-term investors nicely.

That said, forward energy demand projections have been more volatile than perhaps ever. Indeed, oil's move into negative territory last year threw everything out of whack. Accordingly, investors looking for a top energy stock may also be looking to pick a defensive option.

In this article, I'm going to discuss why **Crescent Point Energy** (TSX:CPG)(NYSE:CPG) may be an excellent pick in this regard. Indeed, this is a company I've liked for quite some time. Let's dive into why.

Things turning around for this top energy stock

Looking back at the longer-term chart on Crescent Point, investors will note that something seriously went wrong with this energy stock. Indeed, CPG was trading around $40-$50 per share for much of the 2011-2014 period. Of course, this coincided with the most recent bull market in energy, when all valuations were elevated.

However, at just above $4 per share currently, investors who have held for the past decade have lost approximately 90% of their initial investment. Thus, Crescent Point has turned out to be a lemon in the grand scheme of things. And investors concerned about a repeat of the past may simply not want to touch this stock.

That said, there are reasons I think Crescent Point could turn the tables around nicely. This company's balance sheet looks a lot better than it has in recent years. Balance sheet concerns rising from various acquisitions have been the primary driver behind Crescent Point's decline in recent years. (Of course, unstable and declining oil prices didn't help.) But in this current bullish environment for energy, Crescent Point remains an excellent recovery play today — that is, for those investors who think this company can continue to improve its balance sheet over the medium term. I'm one such proponent of this idea.

Bottom line

Crescent Point Energy stocks has remained roughly flat over the past month, despite showing a robust Q2 profit. However, experts believe that the Duvernay acquisition from **Shell** should benefit Crescent Point in terms of production stability. This deal should also provide higher production, and therefore cashflows, stimulating the return of capital to shareholders.

From a fundamentals perspective, Crescent Point is cheap. This is a company trading at only 2.2 times 2022 cash flow, with a 26% free cash flow yield. In this market, that's hard to find. Accordingly, analysts expect this company to declare a share-buyback program of at least 10%, with a massive increase in the dividend on the horizon.

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