



## Why Crescent Point Energy Corp. Could Soar

### Description

**Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) has taken a beating in the last few months and gave up most of the gains from the rally earlier this year. Oil prices have pulled back in the last few weeks, but the price of oil is still substantially higher than it was earlier this year. So why is Crescent Point still trading at such lows?

#### Crescent Point posts quarterly loss with reduced costs

Crescent Point saw net losses of \$108.5 million from \$201.3 million in the same period last year. Production was down 6.9% to 160,610 barrels of oil per day, but operating costs decreased by 5% to \$12.18 million with transportation costs dropping a whopping 20% to \$1.96 million.

The quarter was nothing impressive, and reduced production will slow down the rally once oil prices really start picking up. The management team stated that production was ahead of its expectations and that the company is still on track to meet its full-year guidance production rate of 167,000 barrels of oil per day.

While the fact that losses were smaller this quarter was good news, free cash flow fell a whopping 24% this quarter. The dividend was already reduced and is now at a very modest but sustainable 2.41% yield.

I believe that the free cash flow decrease is not as bad as investors made it out to be. To sell out of the stock now would be a short-term decision; it would be a mistake if you're looking to play an oil rebound. If you're a true contrarian investor, then the sell-off may present a terrific opportunity to jump back into the stock at prices not seen since oil prices were much lower than they are now in the mid \$40 range.

The good news is that costs are being cut, and they're being cut fast. This is definitely a long-term tailwind that will not show its face anytime soon. When oil crashes again, this will put Crescent Point in an even better position, and its balance sheet won't get hit nearly as hard as it was earlier this year.

#### The stock is oversold

Crescent Point is still on track with its annual guidance, and, despite the production slowdown, we may see it increase next year as oil prices start going above the \$50 mark. I believe the stock is oversold at current levels and for all the wrong reasons. If you're a value investor, you may have a terrific opportunity to pick up shares at a huge discount to intrinsic value.

If you're bullish on oil or are looking to play a rebound in oil, then Crescent Point may be your golden ticket to terrific returns, as the stock is trading at a huge discount right now. The price-to-book ratio is at a ridiculous 0.8, which is way cheaper than the industry average value of 1.7.

The stock is trading like oil is in the \$20 range and at less than half the P/B of the oil industry. Crescent Point is a very smart pick right now, as it offers a considerable margin of safety at \$15.

## **CATEGORY**

1. Energy Stocks
2. Investing

## **TICKERS GLOBAL**

1. NYSE:VRN (Veren)
2. TSX:VRN (Veren Inc.)

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