# Why Crescent Point Energy Corp. May Skyrocket This Year

## Description

**Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) is currently trading near the lows faced early last year when the oil price was at its bottom. Oil has risen to the $50 range, and the company is better positioned now than it was during the early part of last year, but the stock still retreated to the $15 range. The company made several operational improvements and looks to be ready to ramp up production again, so this could be your second chance to grab Crescent Point at a huge discount to its intrinsic value with a fair margin of safety.



**Why has Crescent Point pulled back?**

Oil stocks have rallied since OPEC's decision to reduce oil production by 1.8 million barrels per day until June 2017. However, many pundits believe that OPEC will be unable to stop its members from continuing to pump oil at record amounts, and oil stocks could give up all their gains since the original OPEC announcement.

Crescent Point has already given up all of its gains, and the stock is in the same spot it's been since oil was at its bottom. I believe the stock is oversold, and a huge rally could be in store for 2017.

**Crescent Point is a better company than it was a year ago**

The company has been aggressively cutting costs, so even if oil prices tank, the company would be in better shape than it was in the early part of 2016. The company has undergone several initiatives to increase operational efficiency while simultaneously reducing costs without hurting production.

Crescent Point raised its capital expenditures for 2017 to $1.45 billion from $950 million last year. The management team also believes that it can grow while paying out its dividend if oil stays above the $50 level. The balance sheet is very healthy, and the dividend is sustainable as long as another oil rout doesn't happen.

Many pundits believe oil will remain above the $50 level throughout 2017. I believe oil has stabilized, and $60 oil may be possible by the end of 2017. If all goes according to plan, then we'll see Crescent Point boost its output by 10%, and we could see the stock start rallying to higher levels, because it is ridiculously undervalued right now.

The stock has a price-to-book multiple of 0.8, which is almost half of the company's five-year historical average price-to-book multiple of 1.5. At $15, the stock is too cheap to ignore right now. If you think oil prices will remain stable this year, then Crescent Point is one of the best rebound plays on the TSX today. Even if oil does start to fall again, I still think the downside is quite limited from current levels.

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