# Value Investors: Are These 2 Unloved Stocks Oversold?

## Description

With stock markets trending near all-time highs, investors are searching for out-of-favour picks that might offer some strong upside potential.

Let's take a look at **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) and **TransAlta Corporation** (TSX:TA)(NYSE:TAC) to see why they might be interesting picks.



**Crescent Point**

Crescent Point traded for more than $18 per share 12 months ago when WTI oil was at US$45 per barrel. Today, the stock is close to $14, while oil is above US$48 per barrel.

Crescent Point has ample liquidity available to ride out another downturn, and 2017 exit production is expected to be at least 10% higher than it was last year.

As a result, either the stock was overpriced last March, or the situation is getting oversold today.

The company has significantly reduced its dividend as a result of the oil rout, but the current payout should be sustainable and now offers a yield of 2.6%.

If you are a long-term bull on oil prices, Crescent Point might be worth a contrarian shot on further weakness.

**TransAlta**

TransAlta had a tough run in recent years as high debt, low power prices, and negative sentiment towards coal-fired power generation took a toll.

As a result, TransAlta had to slash its dividend, and investors watched in horror as the stock slid from $20 just five years ago to below $4 in early 2016.

The situation has improved over the past year, and TransAlta is back above the $7 mark. That's a nice gain for the brave souls who bought at the bottom, and there is a chance more upside could be on the way.

Why?

The company hammered out a deal with Alberta last year that will see the province pay TransAlta more than $37 million per year through 2030 to help cover the costs of transitioning away from coal-fired power generation.

Alberta is also changing the way its power market is structured; the new system is set up to pay electricity producers for their capacity as well as the power they generate.

This should attract new investments in renewable energy to replace the coal plants that will be shut down.

TransAlta has made good progress on its debt reduction plan and has agreed to remain a leading player in the Alberta market. Power prices are expected to remain weak in the near term, but it looks like this stock has bottomed out.

At $2 billion, TransAlta’s current market capitalization is less than the value of the company’s ownership in its subsidiary **TransAlta Renewables Inc.** (TSX:RNW).



**Is one a better bet?**

Both companies look like attractive contrarian plays at current prices.

If you think oil is headed higher, Crescent Point probably offers more upside torque in the near term. If slow-and-steady improvement is more appealing, TransAlta might be the better pick.

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3. TSX:RNW (TransAlta Renewables)
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