Another Leg Down for Crescent Point Energy Corp.

Description

Last week, shares of **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) took another leg down and hit a 52-week low of $11.49. Although the new low price may be more attractive to new investors, the reality faced by shareholders is that there may still be a lot of volatility left.

At a price of $11.50, the monthly dividend of $0.03 per share translates to a dividend yield of 3.1%. To make things more attractive for investors, the stock price is still trading at a discount to tangible book value. With tangible book value at $17.27 per share, Friday's closing price of $11.71 represents a discount to tangible book value of approximately 32%.

While this significant discount may represent incredible opportunity for some shareholders, it would seem that many others are still exiting the name; they're probably expecting that oil will continue to trade at depressed levels for a long time yet. But how long will it take?

Holders of this stock, which has declined by close to 50% over the past year, are currently caught in a waiting game; they must wait on the fundamentals of an entire industry to turn. The fundamentals of the company alone are not enough to turn the ship.

As Crescent Point is a producer of oil and gas, the most important factor that will impact the company is the price per barrel of oil. Currently under US$50 per barrel, oil has not been kind to the company. Should oil return to a price in excess of $60 per barrel, shareholders of this company may experience a return that is higher than 20% (calculated as (60-50)/50). Investors have learned over the past two years where the breakeven point is for most oil producers. At an oil price closer to $60 per barrel, many producers were able to sustain oil production and increase the supply on the market.

Now, at a price under US$50 per barrel, the oil market has experienced a lot more cuts in production over the past two years, leading to less supply.

Given the supply/demand dynamics of the industry, investors may need to be patient for a long time yet. If we look at the cash flow statement of Crescent Point, we can see the company, like many competitors, has experienced a drastic reduction in capital expenditures as new projects are no longer viable. The company has instead been working on existing projects to bring oil to the market.

While the stabilization of the market can take a long time, how long are investors willing to wait to see the price of the company's stock turn around and bring home a return? After all, long-term investors may be at a loss in excess of 50% at the current price.

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