



Why Crescent Point Energy Corp. May Be About to Double

Description

This past week, shares of **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) have increased by more than 8% as the value of the oil producer has started to be realized by many investors. Given that the price of oil has started to stabilize at US\$50 per barrel, the market may now be pricing in a fair valuation for the company instead of the inflated risk that the operating environment would worsen, assuming a substantially lower price per barrel of oil.

Although investors are well aware of the company and the situation in the oil sector, it may be the time to view this situation through a different lens. The company is in a prime position to become the next runaway star. At a current price of \$9 per share, the dividend yield is no less than 4%, which, after being cut in early 2016, is sustainable for the long term. The upside for investors is the monthly cash flow of \$0.03 per share every month instead of the quarterly dividend paid by most companies.

What makes this name so attractive at current levels is the amount of tangible book value to be realized, as the company's revenues turn the corner and begin to rise again. When comparing revenues for the first two quarters of 2017 to the previous year, revenues increased by 59% for the first quarter and by 24% for the second quarter. Things are steadily improving for shareholders, as the company continues to churn out profits of \$200 million and cash flows from operations of more than \$830 million for the first half of this year. With a dividend that is expected to cost approximately \$100 million for the entire year, shareholders have huge potential to realize large gains.

When considering the sentiment or momentum of the security, investors holding shares of Crescent Point have had a terrible run, losing more than 50% of its total value since the beginning of this year. What was trading at more than tangible at the beginning of the year has dropped to approximately 52% of tangible book value as the top line has improved drastically and the bottom line has turned positive over the past two quarters. After reporting losses of \$1.83 in 2015 and \$1.78 in 2016, the company has turned profits of \$0.22 and \$0.16, respectively, for the first two quarters of the current fiscal year. Although things have clearly turned, the market has yet to price this in.

After a lengthy leg down, the stock is showing signs of a breakout. With a bottom of about \$8 per share, both the 10-day and 50-day simple moving averages have been caught and surpassed by the recent upward move in the share price. As this is the first time this has happened since the beginning of

the year, investors may be about to enjoy a substantial move upwards.

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