



Crescent Point Energy Corp. Back in the Red After Reporting a Large Net Loss

Description

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) shares took a 3.33% dip on Thursday following the release of its underwhelming third-quarter results, which saw its net loss widen. The company stated that it's going to increase capex for the year by \$100 million from the original estimate to \$1.55 billion.

Shares of Crescent Point are down ~53% from its 52-week high, as shares continue to fall further into single-digit territory. The stock has struggled to sustain a rally, despite crude's rebound to the US\$50 levels, but I still think there's a tonne of value to be had at current levels for long-term investors who are bullish on oil.

Crescent Point is absurdly undervalued based on most valuation metrics

Shares of Crescent Point currently trade at a 0.5 price-to-book multiple, a 1.6 price-to-sales multiple, and a 3.1 price-to-cash flow multiple, all of which are substantially lower than the company's five-year historical average multiples of 1.5, 3.9, and 5.6, respectively. As fellow Fool contributor Jason Phillips [pointed out](#), Crescent Point trades at a huge discount to its intrinsic value, especially on a price-to-book basis.

Although shares are cheap, investors shouldn't try to catch a bottom in the stock by initiating a large position. Shares could still continue to drop, and if that's the case, prudent investors should be prepared to accumulate more shares at a better price to lower their cost basis. Oil prices probably aren't going to surge overnight, and those who want to capitalize on heavily discounted shares ought to have a time horizon of at least five years, because, like it or not, a sustainable rebound may not happen within the next few months or years.

Underwhelming Q3 2017 results could cause a drop deeper into single-digit territory

Crescent Point clocked in a net loss of \$270.6 million for the quarter, substantially higher than the net loss of \$108.5 million during the same period last year. Production increased 10% for the quarter to ~176,000 boe/d, as the company upped its 2017 production outlook by 1,000 boe/d.

While Crescent Point's balance sheet isn't in pristine condition, management has been taking steps to improve its health to "[batten down the hatches](#)." The company has been selling its non-core assets, both to chip away at its debt-load and to finance projects based out of Utah, Saskatchewan, and North Dakota.

Bottom line

The third quarter was nothing to write home about. It could trigger many impatient investors to throw in the towel as shares head deeper into the red.

I still think Crescent Point is a promising rebound candidate, but unless you've got the patience and discipline to buy more if prices drop further, you probably shouldn't bother, because odds are, you're likely to see double-digit percentage losses, at least in the near term.

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