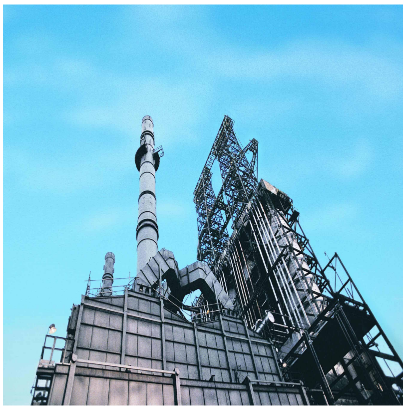

# Crescent Point Energy Corp.: Poised to Soar Along With Higher Oil

## Description

In recent days, crude has surged to its highest price since 2014, as the market prices in fears of rising geopolitical risk and supply constraints. This now sees the North American benchmark West Texas Intermediate (WTI) trading at close to US$70 per barrel, which is proving to be a boon for Canada's beaten-down energy patch. One stock that is still down by 21% over the last year, despite oil's rally, making it attractively valued, is **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG).



**Now what?**

Crescent Point is a light and medium oil producer focused on the Viking and Shaunavon resources plays in southeast Saskatchewan as well as the Williston and Uinita basins. The driller's oil reserves have grown at a solid clip in recent years to be over one billion barrels, worth over $14 per share, calculated using a flat price for WTI of US$55 per barrel. This represents a premium of ~33% over Crescent Point's market price. In an operating environment where WTI has surged to almost US$70 per barrel, that value will expand, indicating just how attractively valued Crescent Point is at this time.

The driller also has a long history of expanding production, which for 2017 increased by 5% year over year to 176,013 barrels daily. Most of that production came from the Williston Basin followed by Crescent Point's southeast Saskatchewan assets and the Uinita Basin.

Importantly, especially at a time when Canadian heavy oil, known as Western Canadian Select (WCS), is trading at a significant discount to WTI, most of that production was weighted to light and medium crude. This means Crescent Point can obtain a higher market price for the oil it produces compared to those Canadian energy companies focused on producing heavy crude blends.

For this reason, Crescent Point's operations are more profitable than many of its Canadian peers, as evidenced by its 2017 netback, which came to $31 per barrel.

Notably, in an operating environment where oil is appreciating, Crescent Point expected to further grow its oil production during 2018. As part of its guidance for the year, the company has projected average annual production of 183,500 barrels of oil daily, which is a 4% year-over-year increase. That along with Crescent Point's ongoing focus on cost control and higher oil will give the driller's earnings a healthy boost. This should ultimately cause its stock to appreciate.

**So what?**

Any investment in an energy company is not without risk, because the value of the underlying commodity, oil, is what primarily drives the value of its stock. While there is every sign that firmer oil prices are here to stay, some analysts believe that growing U.S. production will weigh on prices and could push it to as low as US$51 per barrel. That would have a sharp impact on Crescent Point's price and the company's outlook. The other risk that has put pressure on the company's stock is a history of diluting existing shareholders by issuing equity to fund acquisitions.

Nonetheless, Crescent Point is attractively valued, holds a high-quality portfolio of oil assets, and is positioned to keep growing its reserves as well as oil output. That bodes well for its value to appreciate, especially when there is evidence of firmer oil for a sustained period.

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