



Can Activist Investors Send This Oil Stock Skyrocketing?

Description

Activist investors at Calgary-based firm Cation Capital are going after **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) after many years of abysmal results that resulted in a huge destruction of wealth for its shareholders.

Shares of Crescent Point plunged over ~80% from peak to trough since the oil rout of 2014. Although the recent oil rally was a positive for the stocks of many other shale and oil sands producers, the magnitude of Crescent Point's recent rally relative to its decline is quite unremarkable. Cation Capital believes that Crescent Point is a "broken company" due to "the abject failure of current leadership across all aspects of the company."

Cation Capital is planning to nominate four candidates for the board of directors at Crescent Point's annual meeting in May. In a recent survey, approximately 100% of participating investors were in favour of replacing a majority of the board. Furthermore, 98% of participating investors felt positive about taking it a step further by replacing current CEO Scott Saxberg.

Talk about a unanimous decision!

"We believe Crescent Point's assets have tremendous long-term potential and the ability to create significant value for all shareholders. However, the current board seems incapable of implementing a cohesive strategy to create value," said Cation Capital President Sandy Edmonstone.

It's clear that Crescent Point has attractive low-cost resources that aren't getting utilized in the most effective manner under the current management. In the likely scenario that the CEO and a majority of the board members are replaced, there's a possibility that [shares could pop](#) as investors become optimistic on the longer-term catalyst; however, in order to meet the pre-2014 peak, shares would need to [increase fourfold](#), which isn't likely over a short period, even if WTI prices continue to climb.

Debt levels have also become a cause for concern. Moreover, should President Trump push for lower oil prices, Crescent Point could face further delays surrounding the promising Flat Lake and Uinta assets.

Bottom line

I believe that activists who are getting involved with Crescent Point will be seen as positive for shares over the near-term. It's a breath of fresh air for the investors who have stuck with the name despite prolonged periods of disappointment.

Given Trump's distaste for higher oil prices, however, I'd be very cautious if you're thinking about initiating a position today under the assumption that shares can't possibly go lower. If oil prices retreat or the current management team is successful at fighting off activists, the shares can and probably will decline.

Stay hungry. Stay Foolish.

CATEGORY

1. Energy Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:VRN (Veren Inc.)

PARTNER-FEEDS

1. Msn
2. Newscred
3. Sharewise
4. Yahoo CA

Category

1. Energy Stocks
2. Investing

Date

2025/08/29

Date Created

2018/04/30

Author

joefrenette

default watermark

default watermark