This Former High-Flyer Is Trading at All-Time Lows: Time to Buy?

Description

For its first 10 years as a publicly traded company, it seemed as though **Crescent Point Energy Corp** (TSX:CPG)(NYSE:CPG) could do no wrong.

Shares of the light oil producer ended that decade up approximately 400%, and investors got the bonus of collecting generous dividends the whole time. In fact, the company hiked its dividend several times from 2003-2008 before settling in at $0.23 per share each month, a payout it held consistent until 2015.

Crescent Point shares peaked in 2014 at a little over $45 each. Since then the company has endured a long-term bear market in energy prices, balance sheet issues, deteriorating cash flow that led management to cut the dividend twice, and a myriad of other problems.

These days, shares trade hands at just $4.25 each. That's a 90% decline from 2014's peak. Shares are even down more than 60% from 2003's IPO. It's been a hard fall for one of Canada's long-time energy darlings.

With shares at an all-time low, value investors are starting to sniff around. Are these folks onto something, or is Crescent Point doomed? Let's take a closer look.

The bear case

As fellow Fool contributor Victoria Matsepudra pointed out, Crescent Point has a lot of debt on its balance sheet. It owes some $4 billion, which is a massive number for a company with a $2.3 billion market cap.

The company does have a plan to pay down some of this debt. It has identified some 50,000 barrels/day of production it could sell. A wave of layoffs reduced the workforce by approximately 20%, and top management was also asked to take a pay decrease. These measures will help, but the balance sheet remains a problem.

Then there's the overall crude market. Oil just keeps falling. Canadian producers are plagued with other worries like transportation concerns and a large difference between local oil prices and those received by American companies. Fortunately for Crescent Point, much of its production has avoided those issues.

Still, the consequences of a prolonged slump in the crude market are obvious.

Then there are issues at the top. Veteran CEO Scott Saxberg stepped down earlier this year after a proxy fight with dissident shareholder Cation Capital. Saxberg hasn't been the only top exec to leave; a half-dozen more have moved on, including the company's COO Neil Smith.

Cation's President, Sandy Edmonstone, still isn't happy with the company, calling on it to replace

Saxberg's heir with an outsider and for management to take other steps to unlock value.

The bull case

Amid all this bad news, investors could easily forget Crescent Point has a good slate of assets. The company has long focused on light oil plays that are cheap to take out of the ground, assets that have long been the envy of fellow energy executives.

Then there's the hedging program, which is a nice bonus in today's tumultuous times. 61% of 2018's remaining production is hedged, while approximately half of 2019's production is locked into higher prices than can be received today.

Crescent Point also trades at a very low valuation. Before capital expenditures, it generated $1.8 billion in operating cash flow over the last year. It has a market cap of $2.3 billion. In addition, it trades at just over 25% of its book value, which is north of $16 per share. You won't find many stocks cheaper on either of these metrics.

Finally, investors are getting paid to wait. The current payout is $0.03 per share monthly, which translates into an 8.2% yield. Yes, the dividend has been cut, but it does provide a nice way to get a little bit of your investment back while waiting for the stock to recover. Just don't count on the payout staying where it is.

The bottom line

There's little doubt Crescent Point shares represent a good value at today's price. The company has some of the finest assets in the whole energy sector, and it doesn't have to worry about the large price differential between heavy Canadian and lighter crude.

But at the same time, there's a reason why shares are trading at all-time lows. The balance sheet is stretched. A dissident shareholder is unhappy. And the price of oil could remain depressed for a long time.

If Crescent Point can survive these dark times, shares could easily be up 300% or even more during the next energy bull cycle. If you believe management can pull it off, today's price is the steal of the year.

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