



This 1 Energy Stock Won't Come Full Circle Anytime Soon

Description

At this point, **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) isn't giving justice to its name. The original Latin word for crescent is "ceres," which means to "bring forth, create," while "*crescere*" is the Latin term for "grow or thrive." Unfortunately, the brightness of Crescent is waning lately and very distant from coming full circle.

A huge disappointment

For Cation Capital Inc., a private investment firm with an ownership stake in Crescent, the continuing value erosion of the oil producer is worrisome. The investment firm cites leadership failure and poor governance as the reasons. Cation has reached maximum tolerance and wants Crescent to effect positive change.

Cation insists on a changing of the guard and installing independent leadership to lead a value maximization process. Also, Crescent's management has not implemented any effective measures despite repeated innuendos by the investment firm.

The [performance](#) of Crescent's in the last five years was undeniably depressing, and the sentiment hasn't changed this year. The price at the beginning of 2018 was \$10.02 before peaking at \$11.62 late April — and that was as the highest the stock could climb. By November 30, Crescent sunk to its lowest at \$ 3.99 and the glitter is completely gone.

A hazy outlook

A protracted slump in the crude market would weigh down Crescent Point. Canadian oil and gas producers are taking a beating with the WTI oil price falling 27.14% from US\$70 per barrel to US\$51 per barrel in almost two months. Selling to WTI at discounted prices are also hurting because there are other costs to hurdle when transporting oil to U.S. refineries.

A glimmer of hope is the short-term energy outlook by the U.S. Energy Information Administration. Based on EIA's forecast, worldwide crude oil prices crude will average \$61 a barrel in 2019. However, demand could be affected if U.S. supplies flood the market along with Russia and Saudi Arabia

producing at record levels.

Another factor against Crescent Point is the huge \$4 billion debt that is almost double than the company's market capitalization. The accumulated interest expense for the first three quarters of 2018 is already 13.33% more than the \$120 million in 2017.

The last straw is [the issue of credibility](#). Cation Capital and shareholders will continue to advocate a change in leadership because there is an obvious lack of independence and expertise. Crescent Point needs a new direction to climb out of the pit.

A stock to elude

Crescent Point and peers in Canada's oil sector are in a bear market. But if you think this oil and gas producer could come full circle, kiss your hopes goodbye. The company is highly-leveraged and internal issues remain unresolved.

Crescent Point isn't attractive even as a long-term investment given the company's present circumstances. Finally, an added deal buster is the history of dividend cuts, twice since 2014. A third cut would turn off investors. Hence, it would be better to skip the stock and avoid a misfortune.

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