



Is Crescent Point Energy Corp. (TSX:CPG) Too Cheap to Ignore?

Description

The carnage in the Canadian energy sector is taking some of the industry's former stars down to record lows, which has contrarian investors wondering if the damage is simply getting out of hand.

A quick look at the headlines would be enough to deter most investors from even considering a new position in any of the producers, let alone those with large debt positions. However, commodity markets undergo cycles, and while you need the ability to stomach the ongoing volatility, those with some cash on the sidelines might want to consider nibbling on a few names that have fallen to levels that would have been unimaginable in recent years.

Let's take a look at **Crescent Point Energy** (TSX:CPG)(NYSE:CPG) to see if it deserves to be on your buy list today.

Fallen star

Crescent Point used to be a favourite pick among dividend investors. The company had a long track record of providing attractive payouts that it even maintained during the Great Recession.

When oil started to fall in late 2014, the company stayed with its generous payout longer than many of its peers, but was eventually forced to trim the monthly distribution in an effort to preserve cash flow.

Oil prices rose then from US\$43 per barrel in the summer of 2017 to the 2018 high of \$76, but Crescent Point's shareholders didn't benefit along the way, which led to an overhaul at the senior ranks earlier this year. The new management team is working hard to cut costs and unload non-core assets to reduce debt. However, the steep decline in oil prices in the past couple of months has complicated the situation. Crescent Point finished Q3 2018 with \$4 billion in net debt. That's a lot for a company with a market capitalization that recently dropped down to \$2 billion.

Crescent Point continues to pay a monthly dividend of \$0.03 per share, but the payout could be at risk if oil prices don't rebound soon. With the stock dipping below \$4 per share Crescent Point's dividend provides an annualized [yield](#) of more than 9%.

Should you buy?

Crescent Point owns attractive light oil resources that could bring buyout interest. However, a big takeover premium probably isn't on the way.

If you believe that oil has bottomed and will surge in 2019, a contrarian bet on Crescent Point might be of interest today. The 15% Boxing Day surge in the stock on the NYSE is a good indication how much upside potential is sitting in this name. I wouldn't expect the shares to return to the \$45 level we saw in 2014, but a move back toward \$8 is certainly possible on a rebound in crude prices.

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