Crescent Point Energy (TSX:CPG): Cheap, Undervalued — and Due to Double in 2 Years!

Description

It's been a tough year for **Crescent Point Energy Corp.** (TSX:CPG).

The energy company was hit particularly hard last summer by the glut in oil prices. It traded around $11 per share, and has since dropped to more than half that, currently trading at $5.37 per share at the time of writing.

But oil prices in Canada and the United States have finally improved so far this year. Alberta put a cap on production, and has since done its duty to reduce the difference between Western Canadian Select and West Texas Intermediate prices.

So now, you'd expect those summer numbers to come back, no? Well, we're not quite there yet with Crescent Point, but that could happen any day now. Here's what investors should know.

Slight rebound

After dropping by more than half, Crescent Point's stock price has jumped about 60% in the last two months! In the last week alone, the stock soared 30%, making investors think now is the time to get in on this share price.

That's because these share prices are nothing compared to where this company once traded. Back in 2014, the Crescent Point was in the $45 per share range. Since then, the company has had a few struggles — most significantly, its debt load.

The last few quarters have been brutal for investors. While rising oil prices have helped, with management taking those extra funds to sort out its balance sheet, it still has a long way to go.

In its Q4 report, Crescent Point announced it would finish 2018 with a net debt of $4 billion. This debt comes mainly due to the company's history of making acquisitions, which has diluted shareholders and made long-term investors basically furious.

But the company has signs of life in it. The acquisitions are starting to bear fruit, and so Crescent Point's balance sheet isn't completely deteriorated. It's the dividend that's really been hit; once at $0.23 per share to now $0.04.

The good news?

There has been a shift at Crescent Point. The new strategy is to focus on sustainability rather than production growth. Production is now flat, and should stay that way for the next couple of years.

And its assets are pretty great already, so there's no need to acquire more. In Saskatchewan, those assets are considered some of the best in Canada, with light oil production and high net backs with easy access to pipelines. Its emerging assets are doing well too even early in the game, and could yield results that could drive the next uptick in share price.

Then there's management's other focus: cuts. The company is cutting costs to control capital expenditures. And while the dividend may be cut, shareholders should still be thrilled, as the company announced a buyback plan to bid up to 7% of its outstanding common stock.

This is a great sign, as management is basically saying they're confident in the company enough to use the little cash it has to buy these cheap shares. This should also help to boost the stock price for investors, hopefully bringing it out of the "undervalued" category.

Should you buy?

The most convincing piece here is the buyback plan. If I'm looking for an undervalued stock with a history of high performance and a steady strategy implemented by a confident management team, why wouldn't I buy an undervalued stock?

Analysts think so too, with some saying that the stock could reach $12.50 per share by this time in 2020. Again, last summer it hit about $11 per share, so that's not a crazy thought.

This means if you were to invest just $5,000 today, you could have $11,638 by this time next year! Not a bad little nest egg.

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