These 3 Oil Stocks Are Crazy Cheap Right Now

### Description

It’s a great time to be shopping for oil stocks.

Last fall, many oil stocks fell by more than 50% as regional pricing collapsed. While pricing has more or less recovered, many stocks are still stuck near multi-year lows.



If you’re looking for a bargain with big upside, take a close look at these three companies.

## Crescent Point Energy Corp (TSX:CPG)(NYSE:CPG)

Crescent Point was hit hard during the latest market rout.

In October, shares were above $8. Since then, they’ve lost around half of their value. While some of this punishment was deserved, it looks like the beating was overdone.

Using a 10% discount rate and an assumption of US$55 per barrel oil, Crescent Point stock is worth between $5.40 and $13.40 per share at writing. The current price is just $4.60 per share.

If oil prices are sustained above US$60 per barrel, the stock would have a net asset value between $6.60 and $16.50 per share. Even at the low end of that range, which ascribes nearly zero value to most of the company’s reserves, CPG stock looks grossly mispriced.

To force the stock price into compliance, management has authorized the repurchase of 38.4 million shares, roughly 7% of the public float. This program uses the $600 million in free cash flow the company expects to generate this year.

The buyback could propel shares higher this year, but even if the price remains depressed, that just gives management more time to repurchase shares at a deep discount.

## Storm Resources (TSX:SRX)

After falling by more than 30% since October, Storm Resources is another value pick in an out-of-favour industry.

As I've noted previously, this is actually the fourth company with the name "Storm." Management has run three other companies with the same name, selling each venture at a healthy profit for shareholders.

If history is any indication, investors can bet on these executives to produce outsized returns, even during difficult conditions. Management owns around 13% of the stock, so their incentives are aligned with that of investors.

The fundamentals remain intact. Reserves and production continue to grow, while cash flow continues to mount. The market ignores Storm due to its diminutive size, but savvy investors can profit from the mispricing.

## Husky Energy (TSX:HSE)

In October, Husky shares were above $20 apiece. Today, they're below $13 at writing. If you're looking for a risk-mitigated way to profit, this should be your stock.



The biggest reason that Canadian oil stocks were punished last year was the collapse in selling prices. Prices fell because there wasn't enough local transportation and refinery infrastructure to handle surging supply. Companies bid to the death to secure capacity.

This was purely a Canadian phenomenon. Prices elsewhere, like in the U.S., hardly dropped at all.

The biggest lesson from the plunge was that if a company doesn't control its own pipelines and refineries, it doesn't control its destiny, no matter how hard it tries.

By owning the entire value chain, Husky is well-prepared for an uncertain future.

"We can capture value at any point along the Upstream-Downstream chain, resulting in global pricing for most of our production," says Husky's CEO.

This stock won't have as much turnaround upside as Crescent Point or Storm Resources, but it should prove a safe harbor if conditions deteriorate again.

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**Date**
2025/08/24
**Date Created**
2019/06/01
**Author**
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