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Crescent Point denies rumours of activist interest

Struggles fuel uncertainty, speculation over its next moves to improve standing

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CALGARY The CEO of Crescent Point Energy Corp. shot down rumours Thursday the company has been approached by an unknown activist investor, as the company continues to face a recent fall from favour in the oilpatch investor community.

"In our entire history we have never had or been approached by an activist," Crescent Point CEO Scott Saxberg said in a conference call with analysts. "So that's all I really can say to that."

The company's stellar reputation suffered following a series of miscommunicated management decisions, which has led to uncertainty over what steps the company should take to improve its corporate standing.

That uncertainty fed rumours late last week that an unnamed activist investor could be preparing to buy a position in the company. The speculation arose after a newsletter based out of the U.S. mentioned the rumour, citing anonymous sources.

AltaCorp Capital Inc. analyst Thomas Matthews said speculation tends to intensify around corporations that are struggling, which in turn feeds widespread theories over what could be in the works.



"When investor sentiment completely abandons a company, which it did after the last Crescent Point equity financing, and it's so unloved, you start to hear rumours — and most of them are unfounded," he said. "There's been no shortage of rumours surrounding Crescent Point over the last three to six months."

The company's struggles intensified in September 2016 following a \$660-million equity issuance that diluted the company's shares while showing little sign of recovering its total initial value.

Management said the proceeds from the issuance would be used to shore up Crescent Point's balance sheet, but instead was largely used in the company's operations, which further vexed shareholders, Matthews said.

"We realize that communication around our recent financing could have been better," Saxberg said Thursday in a discussion about the company's 2016 financial and operating results. He said the company was working to correct some of its recent missteps through discussions with investors.

"We've had a lot of conversations over this last year with our shareholders, taken a lot of their feedback, and responded and tried to be proactive."

Despite its struggles, Matthews said the company's year-end results showed some encouraging results. Crescent Point beat its production estimates for the year, surpassing an average 167,000 barrels of oil equivalent per day, up from over 163,000 boed in 2015.

It ramped up production through improvements in its operations, particularly using a process known as "waterflooding," where water is injected down an aging well to push higher volumes of oil to surface. The technique led to a boosting of its reserve base. In 2016 it booked a total of 10.5 million barrels of new reserves through the process, following a 4.5 million barrel increase in 2015.

It reported an annual loss of \$932 million, or \$1.81 per share, largely due to a \$457 million impairment charge in the fourth quarter. In 2015, it recorded a \$870-million loss, or \$1.82 per share.

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