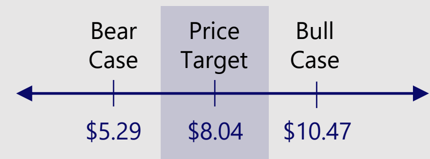
RESEARCH REPORT

November 18, 2019

Stock Rating	BUY
Price Target	$5.29 – $10.47



Ticker	CPG
Market Cap (MM)	$2,904
LTM EV/EBITDA	3.0x
LTM Price/Earnings	NMF

52 Week Performance

Crescent Point Energy

Debt There Be Light

Crescent Point Energy is mid-cap exploration and production company headquartered in Calgary, Canada.

Since 2014, the company has seen its share price deteriorate from $32.70 to $4.02 (USD). Egregious spending, compensation, and leverage eroded past earnings and led public market investors to profoundly distrust CPG's management team. In May 2018, Crescent Point's c-suite was replaced and the company has since overhauled its organizational goals, executive compensation, and approach to leverage profile.

The E&U team believes that Crescent Point is prepared to execute its revised corporate strategy, and that the market is unfairly discounting the company's solvency and free-cash-flow generation ability – likely because of CPG's pitiful reputation amongst public market investors.

Due to these reasons, E&U believes that Crescent Point's quality asset base and operational excellence provide an upside to common equity of 52% to 98%. To arrive at this conclusion, the E&U team analyzed CPG's business fundamentals and completed both liquidity and intrinsic value analyses.

The team will look to take an active position in the name in the fund's Canadian portfolio.

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Company Overview

General Overview:

Crescent Point Energy is an oil and gas exploration, development, and production company that is headquartered in Calgary, Alberta with an additional corporate office located in Denver, Colorado. The company is a conventional oil and gas producer with light and medium crude oil and natural gas assets in Saskatchewan, Alberta, British Columbia, Manitoba, North Dakota, and Montana.

Assets:

Viewfield Bakken Resource: Crescent Point is the largest Canadian producer in this Southeastern Saskatchewan resource area. In 2018, the company averaged 44,500 boe/d of production, all of which was concentrated in high-quality light oil and exploited using multi-fractured horizontal wells. In 2018, Crescent Point spent $204MM on capital expenditures in Viewfield.

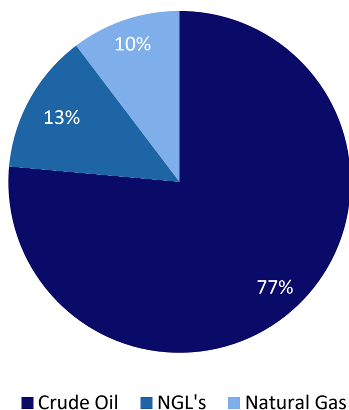
Shaunavon Area: Crescent Point has developments in both the upper and lower Shaunavon resource plays in Southwest Saskatchewan. Production revolves around medium-quality oil and covers more than 600 land sections, with 2018 production averaging more than 27,300 boe/d. In 2018, Crescent Point spent $216MM on capital expenditures in Shaunavon.

Flat Lake Area: Crescent Point holds more than 700 sections of land in the Flat Lake Area, directly North of the US-Saskatchewan border. The company is currently developing the tight Bakken, Torquay, and Midale light resource plays, as well as the conventional Ratcliffe play. In 2018, production averaged 22,200 boe/d and Crescent Point spent $367MM in capital expenditures in Flat Lake.

North Dakota: The Bakken and Torquay resource plays extend into North Dakota from Southeastern Saskatchewan. Production in the region consists of high-quality light oil and is developed through multi-fractured horizontal wells. In 2018, average working interest production rates were 15,400 boe/d and Crescent Point spent $320MM on capital expenditures in North Dakota.

EXHIBIT I

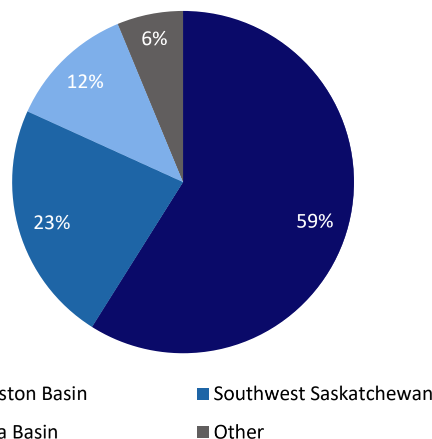
2019 Production Mix (boe/d) as of Q3 2019



Source(s): Company Filings

EXHIBIT II

2019 Production by Area (boe/d) as of Q3 2019



Source(s): Company Filings

Company Overview Cont.

Recent Dispositions and Acquisitions:

Gas Infrastructure Assets: In November 2019, the company announced an agreement to sell $500MM worth of gas infrastructure assets in Saskatchewan to Steel Reef Infrastructure. Such includes nine natural gas gathering and processing facilities and two gas sales pipelines; under the terms of the agreement, Crescent Point will still have access to the assets on a take-or-pay basis.

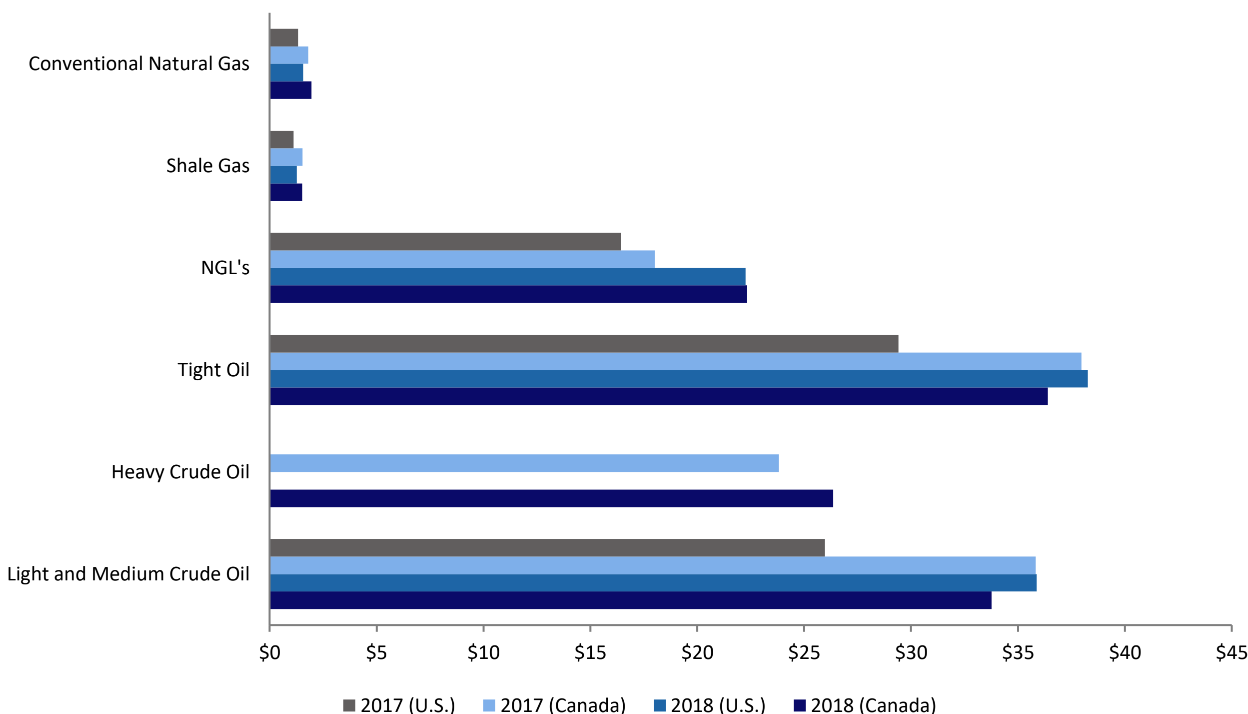
Uinta Basin: In October 2019, Crescent Point completed the disposition of its Uinta Basin Assets for a total consideration of $700MM. This sale included 20,000 boe/d (75% crude oil and 85% total liquids) of upstream production.

Southeast Saskatchewan: In October 2019, Crescent Point sold conventional assets in Southeast Saskatchewan for a total consideration of $212MM. This sale included 7,000 boe/d (70% crude oil and 85% total liquids) of production.

Overall, CPG has sold $1.45B of assets in 2019; such will allow for the company to improve net debt and advance its disciplined disposition strategy.

EXHIBIT III

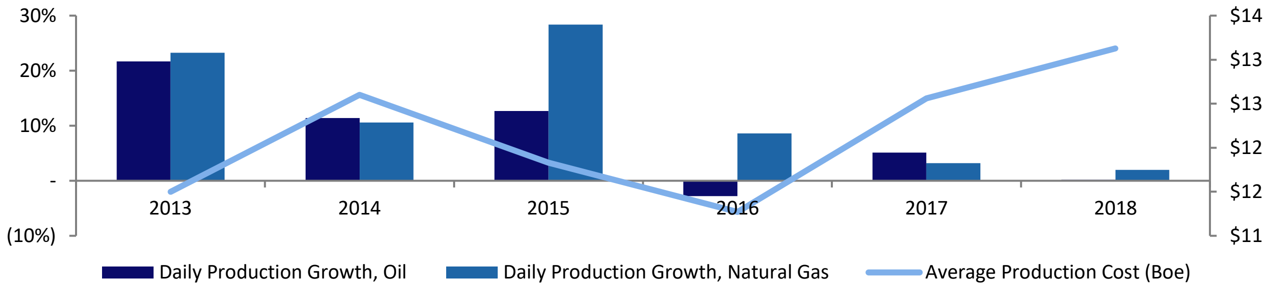
Historic Netbacks



Source(s): Company Filings

EXHIBIT IV

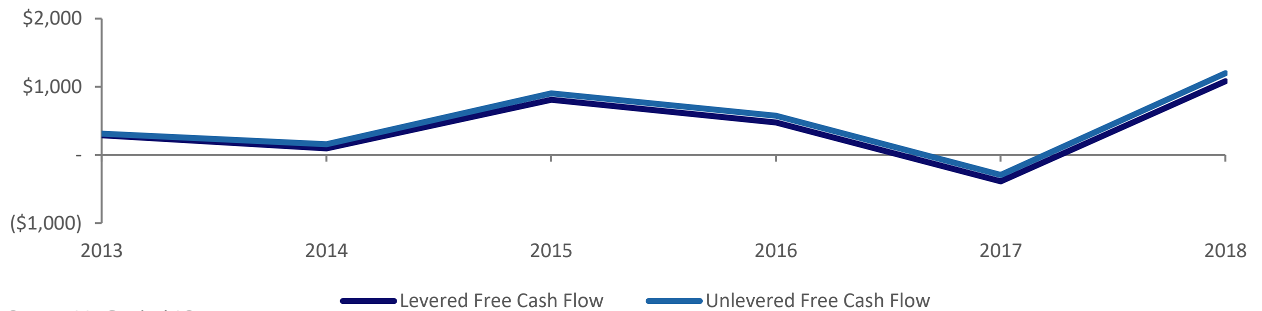
Historic Production Growth and Cost



Source(s): Capital IQ

EXHIBIT V

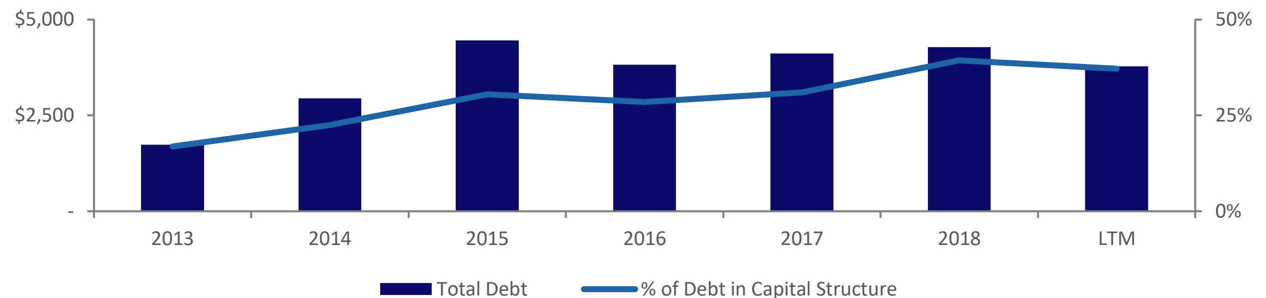
Historic Unlevered and Levered Free Cash Flow ($M)



Source(s): Capital IQ

EXHIBIT VI

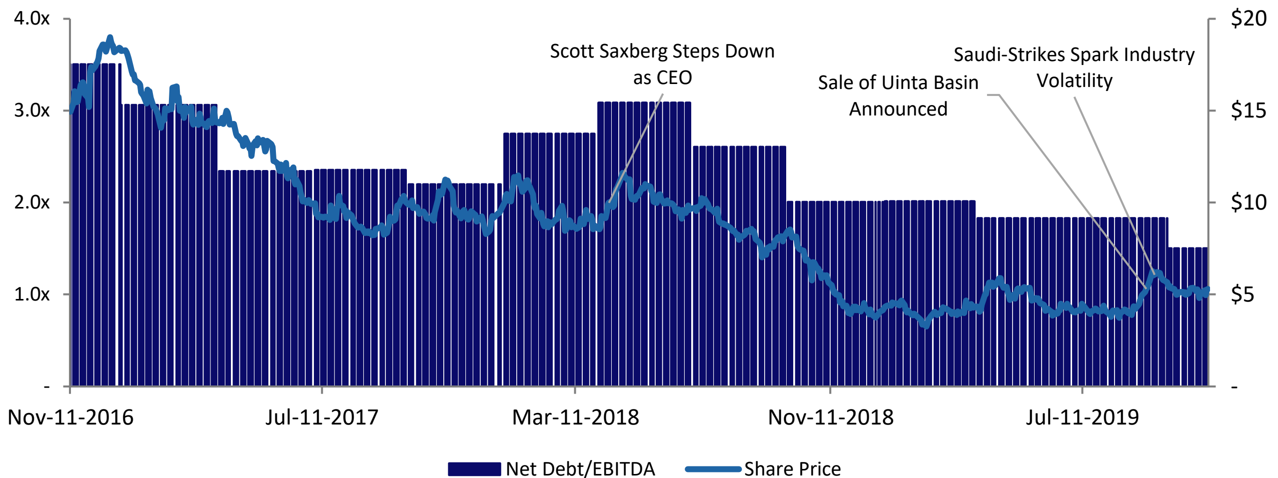
Historical Debt ($M) and Capital Structure



Source(s): Capital IQ

EXHIBIT VII

Historical Stock Performance and Net Debt



Source(s): Capital IQ

Company Overview Cont.

Management:

For 15 years, Crescent Point was led by founding member Scott Saxberg. The aforementioned individual served as CEO until May 2018; during his tenure, crude production grew to 180,000 boe/d. Despite this, Crescent Point exhibited poor share price performance. Such was due to Saxberg's unwise spending, egregious compensation, and over-leveraging of the company. Since Saxberg's departure, Craig Bryksa, Ryan Gritzfeldt, Brad Borggard, Garret Holt, and Anthony Baldwin have stepped-in as senior management:

Craig Bryksa: President and CEO of Crescent Point with over 13 years of experience with the company. Prior to assuming the role of CEO in 2018, he was the Vice President of Engineering West at Crescent Point.

Ryan Gritzfeldt: COO of Crescent Point with over 13 years of experience with the company. Prior to assuming the role of COO in 2018, he was Vice President of Marketing and Innovation for Crescent Point.

Brad Borggard: Senior Vice President of Corporate Planning and Capital Markets; possesses over 9 years of experience with the company. Prior to assuming the role of SVP he was a Vice President of Corporate Planning and Investor Relations.

Garret Holt: Senior Vice President of Corporate Development with 30 years of experience in the Energy sector. Prior to joining Crescent Point he was a director at J.P. Morgan.

Anthony Baldwin: President of Crescent Point Energy U.S. Corp., with over 13 years of experience at the company. Prior to assuming his current role he was Vice President of Land and Business Development.

Company Overview Cont.

Analysis of Management Compensation:

After the exit of CEO Scott Saxberg, Crescent Point made significant alterations to executive compensation. Current compensation revolves around a base salary that has been reduced by 20%, alongside a mix of short-term and long-term incentives. The short-term incentive plan is centered around a cash award based on a financial and operations score card. The score card measures funds flow per share, net debt to funds flow, operating expenses per boe, and capital efficiency. In 2019, this scorecard was weighted further toward the execution of the strategic goals contained within Crescent Point's new transition plan. These strategic goals include targeting 2019 net debt reduction of $1B through a disciplined return-focused budget, identifying midstream assets for monetization, and focusing the company's asset base by pursuing upstream endeavors. The long-term incentive mix includes:

RSU's (3-year): annual grant settled in shares and vested in thirds to reward medium-term corporate and share price performance.

PSU's (3-year): annual grant vesting after three years, in which realized value is based on common share price and corporate performance. Such factors are measured by a corporate performance multiplier that incorporates 50% relative shareholder return and 25% debt-adjusted production per share. As of 2019, the 50% TSR weighting will remain; however, both PPS (debt-adjusted production per share) and DCIRR (drilling capital internal rate of return) will be re-weighted.

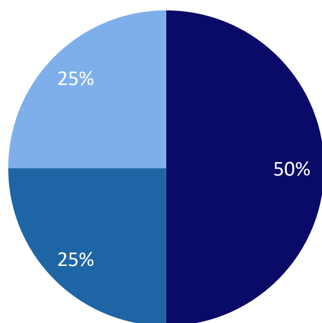
Stock Options (4-year): Back-end weighted 4-year-vesting stock options, with 40% vesting on the fourth anniversary. Such rewards executives for absolute share-price growth.

Notable changes in 2019 will include the LTI mix being adjusted to 70% PSU's and only 10% options, as well as the addition of strategic plan execution to the PSU scorecard.

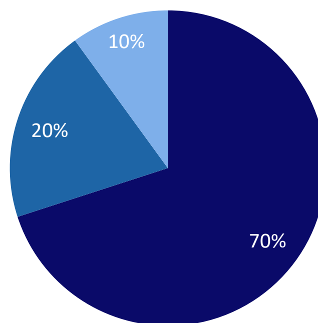
EXHIBIT VIII

Long-Term Incentive Plan Structural Changes

2018



2019



Source(s): Company Filings

Industry Overview

The Energy Value Chain:

The liquids value chain, from discovery to consumption, consists of three subsectors: *upstream, midstream* and *downstream.*

Upstream: the exploration and production of crude oil and natural gas.

Midstream*:* the processing, storing, marketing, and transportation of crude oil and natural gas.

Downstream: oil refineries, petrochemical plants, petroleum products, retail operations, and natural gas distribution.

In Canada specifically, several companies (ex. Suncor) display integration across the above subsectors. Despite this, most Canadian companies specialize in a certain component of the value chain. Because Crescent Point predominately focuses on exploration and production, this industry overview will revolve around the upstream space.

Upstream Oil and Gas:

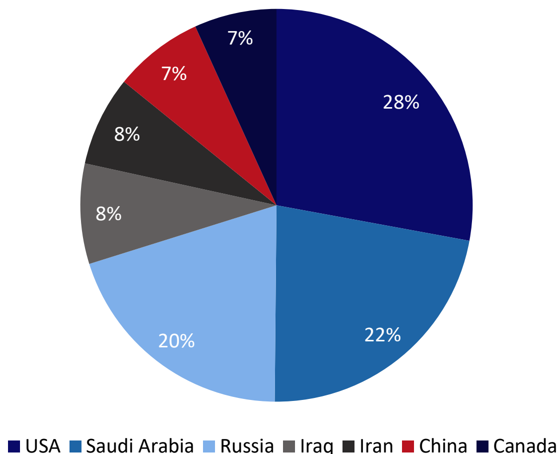
The upstream oil and gas sector consists of two core components: *Exploration and Production (E&P)* and *Oil-Field Services and Equipment.*

Exploration and Production (E&P): Involves companies that explore for new oil and gas opportunities and then drill for and extract these resources. Such companies vary in size from large corporations such as Canadian Natural Resources to small private businesses that operate only a few wells.

E&P companies lease land from private entities or from the government, and then drill exploration wells to determine whether the land contains commercially-acceptable hydrocarbons. If a positive discovery is made, the company will typically invest further capital to both drill wells and develop infrastructure to produce the resources. Because of this, the E&P business model is very capital-intensive.

EXHIBIT IX

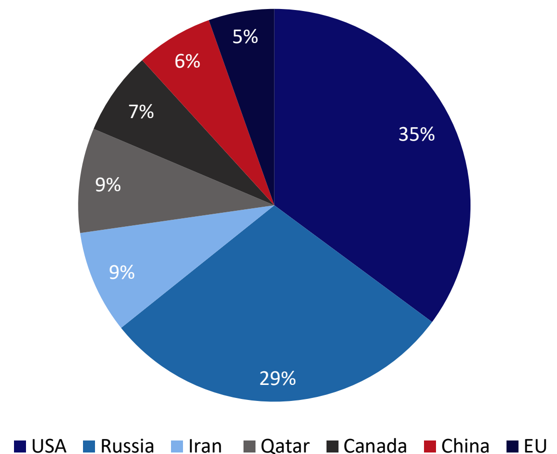
Worldwide Crude Oil Production Breakdown



Source(s): International Energy Agency

EXHIBIT X

Worldwide Natural Gas Production Breakdown



Source(s): International Energy Agency

Industry Overview Cont.

Types of Crude Oil:

Although crude oil is often classified as a single commodity, it can be broken-down to multiple sub-types. These crude oil sub-types are important to understand with respect to Crescent Point, given Saskatchewan's diversified product mix. Such sub-types are broken down into *light oil* and *heavy oil,* which can further be classified as *sweet* or *sour*. In Saskatchewan, light and medium oil consist of 60% of total oil production.

Light Oil: Crude oil with moderate to high volatility and low density. This oil is commonly used in the production of gasoline, jet fuel, kerosene, diesel fuel, fuel oils and other liquids.

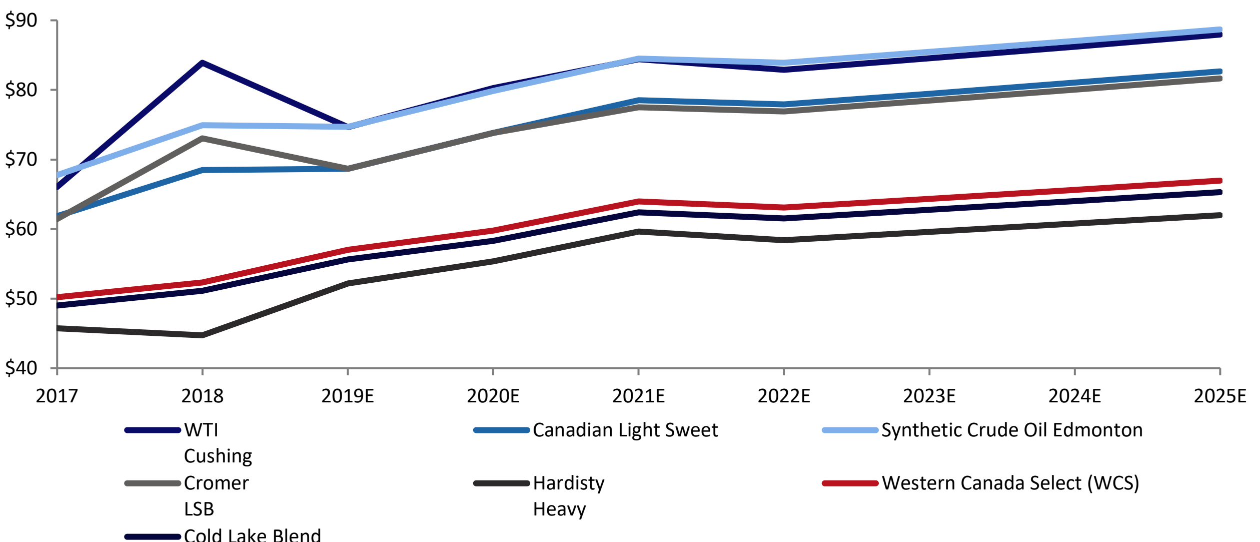
Heavy Oil: Highly dense and viscous crude oil that is difficult to flow into production wells. Heavy oil is often used for the heaviest fuel oils and heavy marine fuel.

Sweet and Sour Oil: Sweet oil is crude with low sulfur content, while sour oil has a higher sulfur content. Sulfur is undesirable with respect to the oil's quality and subsequent ability to be processed. Hence, sweet crude is more valuable.

Pricing:

West Texas Intermediate (WTI) is an extremely high-quality light sweet oil. Although WTI prices are used as a benchmark for oil pricing (and therefore well-known), Canada has its own prices for crude oil across the sub-type spectrum. These oil pricing benchmarks directly influence the realized pricing of producers such as Crescent Point, and range from Western Canadian Select (heavy crude oil and one of the largest oil streams in North America) to Canadian Light Sweet.

EXHIBIT XI



Source(s): Sproule

Industry Overview Cont.

Canadian Upstream Environment:

Canada is a top-7 producer of natural gas and crude oil globally, and possesses oil reserves of more than 170B bbl. Oil sands, natural gas, and conventional and unconventional oil production are active across the country. However, despite this prominence, it is currently a time of growing uncertainty in the Canadian energy space. Over the last few years there has been an enormous decline in capital investment, and over 100,000 jobs lost. This difficult environment has stemmed from depressed commodity prices, interprovincial rights over pipeline jurisdiction, general political issues, and greenhouse gas emission restrictions.

Amongst the various issues currently facing the Canadian energy industry, the constraint on egress capacity remains a key sticking point. No additional capacity is expected in the Canadian market until the Enbridge Line 3 Replacement Program is completed in 2020.

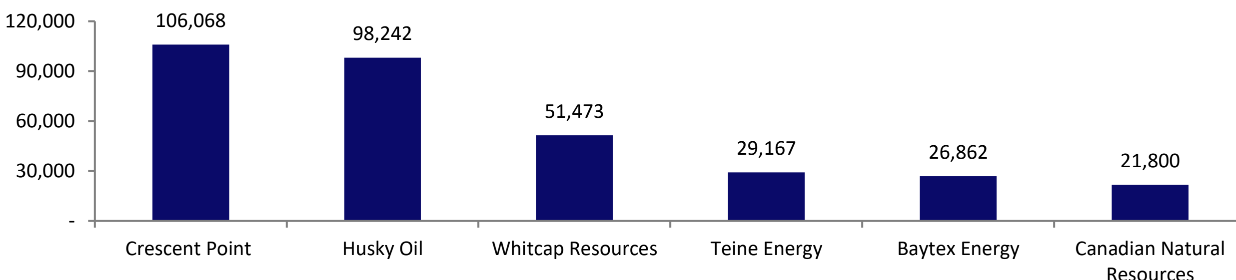
On a more global scale, declining crude prices and slowing economic growth have taken a significant toll on the energy industry. This toll has caused negative investor sentiment across Canadian oil, marked by a 66% decrease in the S&P/TSX Capped Energy Index between November 2016 and November 2019. Meanwhile, CPG saw a staggering 60% dip in share price over the aforementioned time period.

Saskatchewan Upstream Environment:

Although Alberta is Canada's highest liquids-producing province, Saskatchewan trails as second-largest. Accounting for 12% of Canada's oil production, Saskatchewan produced 488 mboe/d in 2018, with Crescent Point as the largest producer. In 2017, $4.2B was spent on exploration and development by producers in the province. Although Saskatchewan oil has suffered from many of the Canada-wide upstream macroeconomic events, its government on December 3, 2018 stated that "our oil production and market for products is significantly different than Alberta's. Saskatchewan has no oil sands in active production and are more diverse in what we produce. For that reason, a government mandated production cut in Saskatchewan could result in a loss of jobs and economic activity in our province, but would have little impact on the price of oil." Given the recent production curtailments in Alberta, the lack of such cuts within Saskatchewan is a net-positive for Saskatchewan-weighted producers such as Crescent Point.

EXHIBIT XII

2018 Saskatchewan Oil Top Producers (bbl/d)



Source(s): Saskatchewan Petroleum Monthly

Industry Overview Cont.

Crescent Point Energy Comparable Environment:

Within the Canadian upstream environment there exists three levels of upstream companies that are publicly traded: seniors, intermediates, and juniors. Senior companies are large-cap names with extensive asset and production bases. An example of a Canadian senior energy company is Suncor, which possesses a $66B market capitalization and 731.0 mboe/d of production.

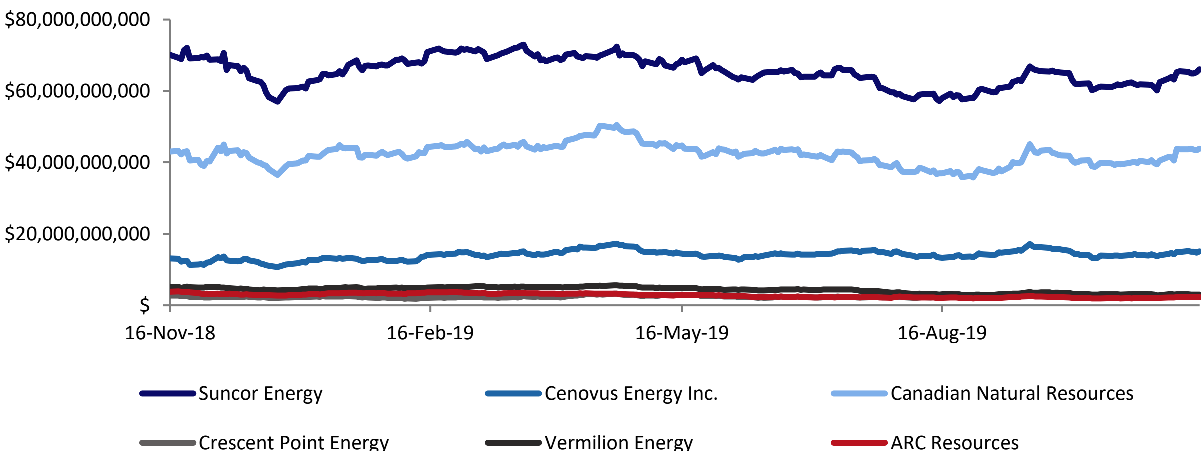
In terms of intermediate companies, such businesses are normally weighted to either crude (ex. Crescent Point) or natural gas (ex. Arc Resources), but will typically have a production mix of both. An example of a Canadian intermediate company is Vermillion Energy, which has a market capitalization of $3B and production of 87.1 mboe/d. Crescent Point falls into the intermediate category.

Last, are junior companies. An example of a junior energy name is Bonavista Energy, which has a market capitalization of $146M and production of 69.2 mboe/d.

Although intermediate companies such as Vermillion are most similar to Crescent Point with regard to size and scale, there are comparable differences between such names. These differences are displayed in the production mix and location of each competitor. For example Vermilion has operations in North America, Europe and Australia. On the other hand, ARC Resources operates primarily in Alberta and British Columbia, while Crescent Point Energy operates in Saskatchewan and the U.S. These differences in production mix and asset location allow companies such as Crescent Point, who have high-quality assets compared to many intermediate peers, to differentiate.

XIII

Senior, Intermediate, and Junior Canadian Upstream Companies by Market Cap



Source(s): Capital IQ

Thesis I: Deleveraging Strategy Limits Downside Risk

The Rise of Debt:

In recent years, a highly-levered balance sheet has put downward pressure on CPG's share price. Under Scott Saxberg, Crescent Point's debt load saw a major increase between 2013 and when he stepped down in March of 2018. As total debt rose from $1.73B to $3.82B between 2013 and 2016, the company's Net Debt/EBITDA multiple went from 0.9x to 3.5x.

In 2015, CPG took on more leverage to continue production growth in a time of depressed oil prices. In 4Q15, Crescent Point saw record-high average daily production of 176,108 boe/d. In addition, the company spent $1.56B on capital expenditures, with $1.35B spent towards drilling and development activities and $208.9MM on land, facilities and seismic. Including acquisitions, the company replaced 315% of production and increased 2P reserves by 16%. This follows the production growth-oriented strategy attempted by several oil companies this half decade.

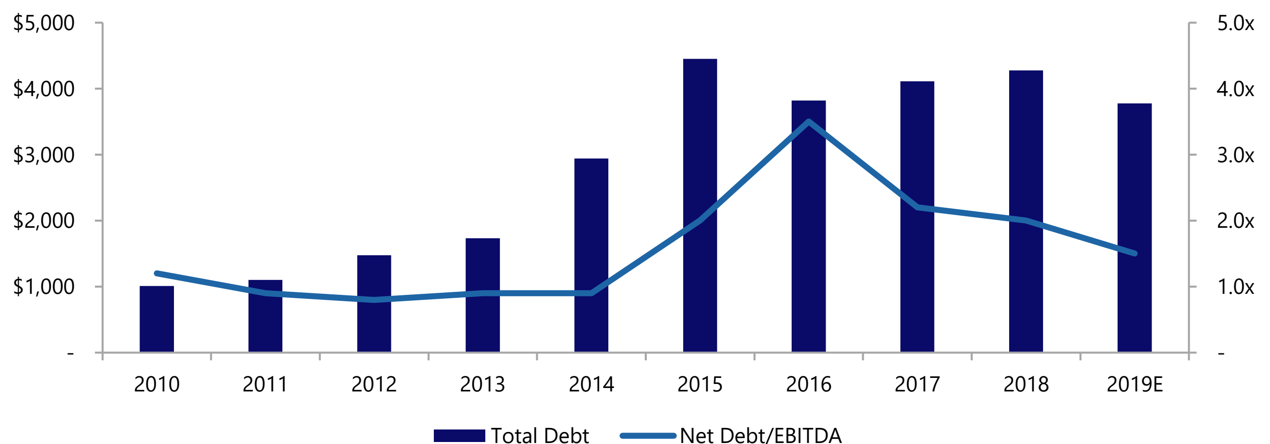
The Post-Saxberg Strategy:

After Scott Saxberg stepped down, CPG's new management, led by Craig Bryksa, introduced a new strategy which is partly focused on adherence to more conservative borrowing guidelines. This has been reflected in the company's compensation strategy, as well as in its actions, as CPG has made a concerted effort to pay down its debt.

Debt Repayments

After paying down $90MM in debt and issuing $635MM in 2017, CPG has begun changing its course. The company paid back $425MM in 2018 and $693.6MM thus far in 2019, while only issuing $267MM of new debt in the period. In this time, the company's Net Debt/EBITDA has declined from 2.2x to 1.5x. The continuation of this trend will be crucial for E&U's confidence in this name, as we believe a Net Debt/Ratio of above 2.0x is unattractive in a volatile

EXHIBIT XIV



Source(s): Capital IQ, Company Filings

Thesis I: Deleveraging Strategy Limits Downside Risk Cont.

Canadian oil sector.

Debt in Detail:

Bonds and Long-Term Debt

From 2020 to 2022, CPG has $202.9MM, $226.0MM, and $286.8MM of bonds and long-term notes maturing. The company has its largest maturity amount ($631MM) due in 2023. However, this is not an overly concerning amount, particularly given that the maturities due between 2024 and 2027 are not substantially large.

CPG's average cost of debt on its bonds and notes payable is 4.2%, which is cheaper than the industry average of 4.56%. CPG's most long-term bond has a coupon rate of 4.18%, which indicates that the company's debt is not becoming more expensive. All of CPG's bonds and notes payable are unsecured and possess fixed coupon rates.

Crescent Point's debt covenants are the following:

- Senior debt – adjusted EBITDA may not exceed 3.5x
- Total debt – adjusted EBITDA may not exceed 4.0x
- Senior debt – capital may not exceed 0.55x

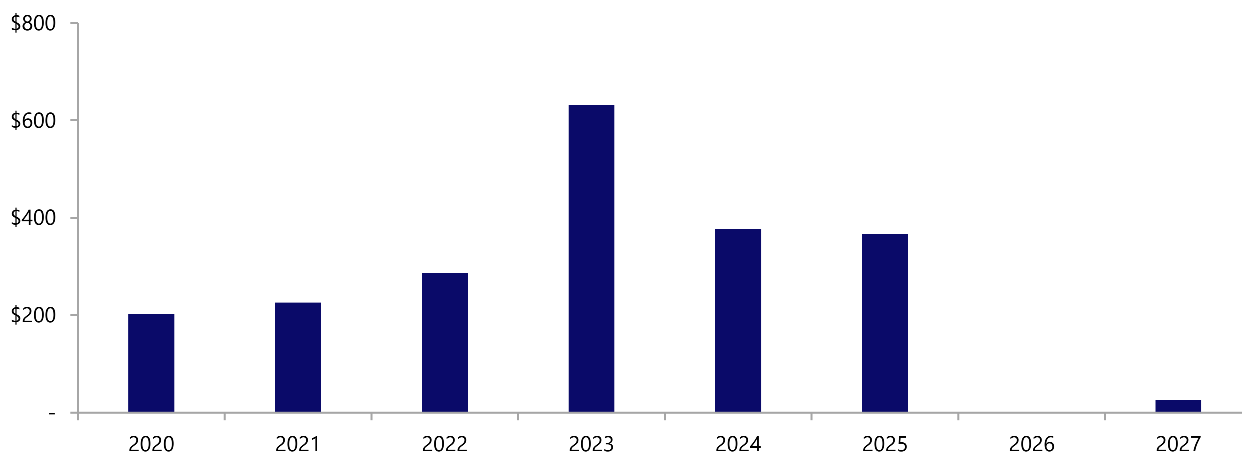
Crescent Point was in compliance with all of its covenant ratios as of December 31, 2018, which were 2.2x, 2.2x, and 0.42x respectively. Under its current deleveraging initiatives, CPG is not at-risk of breaching any of these terms.

Combined Credit Facilities

In 2019, Crescent Point had combined credit facilities of $3.6B, including a $3.5B syndicated unsecured credit facility with fourteen banks, and a $100MM unsecured operating credit facility with one Canadian chartered bank. In 2019, CPG extended the maturity dates of its credit facilities from June 10, 2021 to October 2023, and reduced the aggregate amount of the facilities

EXHIBIT XV

Bond and Long-Term Note Maturities ($MM)



Source(s): Capital IQ, Company Filings

Thesis I: Deleveraging Strategy Limits Downside Risk Cont.

from $3.6B to $3.0B. CPG's facilities constitute revolving credit facilities and are extendible annually, which gives the company flexibility on its maturity of the loans. Of the $3.0B from which Crescent Point has to draw, the company had approximately $1.99B drawn as of December 31, 2018, thus leaving unutilized borrowing capacity of $1.01B.

CPG's deleveraging initiatives have improved the company's "Market Signal Probability of Default %" from 30.7% to 1.9% in the last twelve months. E&U is confident that the company is still being punished for a debt load which has been much improved.

Divestitures:

Crescent Point's ability to cut down its debt has been driven by recent divestitures. Chiefly, the company exited its Uinta Basin position in Utah and is planning on selling non-core assets in Southeast Saskatchewan for a total of $912M. The Uinta Basin assets, which are expected to produce 20,000 bbl/d in 2020, were sold to a private operator for $700M in cash.

The sale is expected to help reduce the company's net debt to $2.75B by the end of 2019. In addition, debt-adjusted funds flow per share is expected to increase by 11%, and CPG announced that it would buy back another $100MM worth of shares by year-end.

On November 15, 2019, CPG also announced the sale of $500MM worth of its Saskatchewan natural gas projects to Steel Reef Infrastructure Corp. Steel Reef granted CPG processing rights at the facilities.

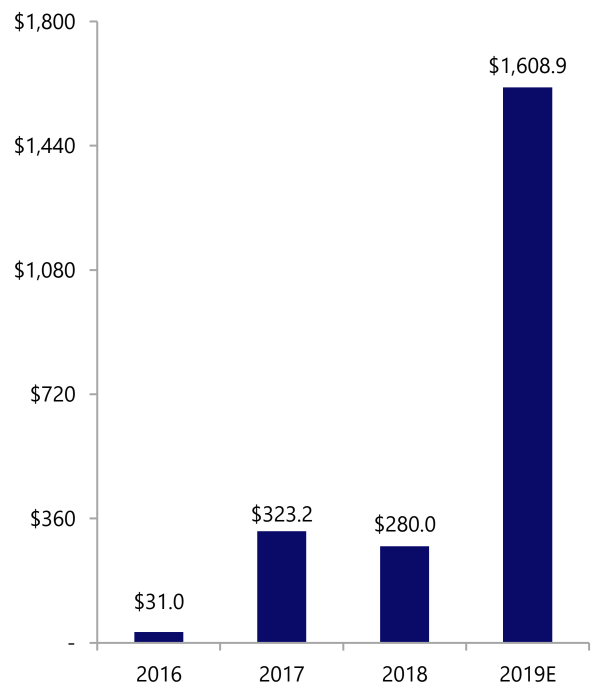
After announcing the sale of its Uinta Basin assets and its intent to sell non-core Saskatchewan assets, CPG's share price was rewarded. This is because the move presents a commitment to reaching a responsible debt load, as well as a deeper focus on the company's most core assets. The combination of a more reasonable debt load with a willingness to buy-back shares is an attractive proposition that Crescent Point has not offered for some time.

The significance of the successful sale of these assets should not be understated given the difficult M&A climate in the Canadian energy space. Earlier in 2019, oilsands producer Cenovus Energy pulled a package of assets off the sale block after receiving offers of less than the company was willing to accept.

If CPG furthers its strategic divesting and continues to use such funds to pay down debt and reward shareholders, the E&U team will become increasingly confident in the risk vs. reward potential of the name.

EXHIBIT XVI

Asset Divestitures ($MM)



Source(s): Capital IQ, Reuters

Thesis II: Quality Asset Base on Macro and Micro Level

Favourable in Current Macro Backdrop:

Broadly speaking, the Canadian oil industry is primarily centered upon heavy oil-focused producers whom possess assets in Northern Alberta, and are tied to WCS pricing. However, such companies have faced incredible headwinds in recent years due to pipeline capacity constraints. Realized pricing has been weak – currently, the WTI-WCS differential is ~$22USD/bbl. Moreover, production curtailments have been put into place by the Albertan government, which has limited output and subsequent revenues. To add further insult to injury, transportation costs have remained relatively high. This is chiefly due to the fact that many companies have been forced to resort to crude-by-rail.

In light of the current headwinds facing the Canadian heavy oil industry, Crescent Point's Williston Basin and Saskatchewan-focused light oil-centered production mix is highly favourable on a macroeconomic basis. Such is due to three primary reasons:

First, is the fact that the company's production mix is insulated from heavy oil production curtailments imposed by the Albertan government. Second, is that transportation expenses are lower for light oil producers than they are for heavy oil producers.

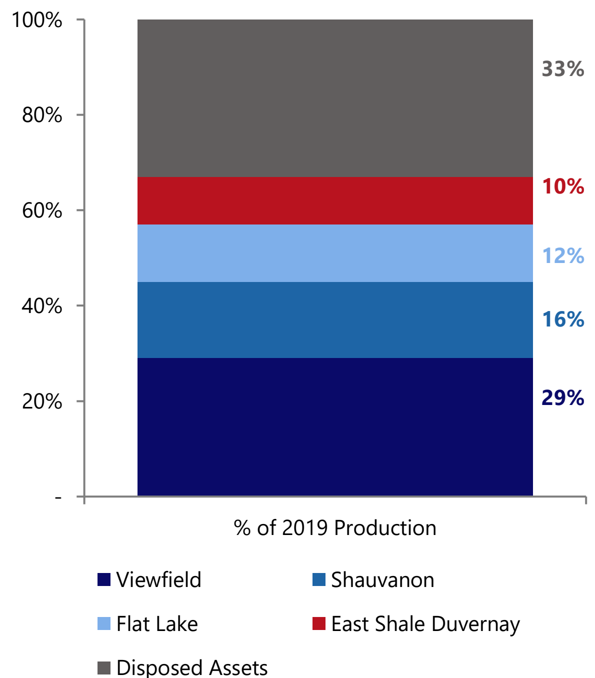
EXHIBIT XIX

CPG's Areas of Operation

Source(s): Company Filings

EXHIBIT XX

CPG's Areas of Operation - % of Overall Production



Source(s): Company Filings

EXHIBIT XXI

Netback Information

Canadian Light Oil Comps
$CAD/BOE

	Average Sales Price			Operating Expenses			Transportation Expenses			Royalties			Operating Netback			Production (MBOE/d)		
Company	**2018**	**1Q19**	**2Q19**	**2018**	**1Q19**	**2Q19**	**2018**	**1Q19**	**2Q19**	**2018**	**1Q19**	**2Q19**	**2018**	**1Q19**	**2Q19**	**2018**	**1Q19**	**2Q19**
TORC Oil and Gas	$58.50	$62.27	$59.32	$12.65	$12.92	$13.15	$1.30	$1.26	$1.33	$10.27	$10.04	$10.49	$33.93	$32.64	$34.35	25.34	28.27	28.33
Baytex Energy Corp	$46.31	$47.98	$51.49	$10.61	$11.02	$11.22	$1.26	$1.46	$1.33	$10.68	$8.94	$9.67	$23.76	$26.56	$29.27	80.46	101.12	98.40
Whitecap Resources Inc.	$56.16	$55.79	$59.04	$12.05	$12.68	$12.45	$2.17	$2.20	$2.20	$9.87	$9.32	$10.96	$29.33	$29.32	$31.00	74.42	70.66	70.61
Surge Energy Inc.	$46.21	$50.27	$54.92	$14.76	$15.12	$14.03	$1.50	$1.98	$1.33	$6.55	$5.68	$7.03	$21.73	$27.12	$31.24	18.06	21.63	21.54
Mean	$51.80	$54.08	$56.19	$12.52	$12.94	$12.71	$1.56	$1.73	$1.55	$9.34	$8.50	$9.54	$27.19	$28.91	$31.47	49.57	55.42	54.72
Median	$51.24	$53.03	$56.98	$12.35	$12.80	$12.80	$1.40	$1.72	$1.33	$10.07	$9.13	$10.08	$26.55	$28.22	$31.12	49.88	49.46	49.47

Canadian Intermediate Comps
$CAD/BOE

	Average Sales Price			Operating Expenses			Transportation Expenses			Royalties			Operating Netback			Production (Mboe/d)		
Company	**2018**	**1Q19**	**2Q19**	**2018**	**1Q19**	**2Q19**	**2018**	**1Q19**	**2Q19**	**2018**	**1Q19**	**2Q19**	**2018**	**1Q19**	**2Q19**	**2018**	**1Q19**	**2Q19**
Vermilion Energy Inc.	$52.95	$50.77	$46.40	$11.26	$12.92	$11.04	$1.64	$1.76	$2.25	$4.80	$4.58	$4.13	$31.59	$31.50	$29.62	87.27	103.40	103.00
ARC Resources Ltd.	$28.12	$26.20	$23.04	$5.95	$5.24	$5.05	$2.66	$2.96	$3.00	$2.39	$1.52	$1.28	$17.12	$16.48	$13.71	132.72	139.05	134.94
Enerplus Corp.	$47.35	$44.70	$44.00	$7.00	$8.75	$7.84	$3.63	$3.92	$4.02	$11.92	$10.48	$11.26	$24.80	$21.55	$20.88	93.22	88.58	100.69
Bonterra Energy Corp	$46.34	$46.07	$47.56	$14.49	$14.85	$15.88				$4.94	$3.71	$3.05	$26.91	$27.51	$28.63	13.21	12.02	12.67
Crew Energy Inc.	$25.05	$26.53	$24.77	$6.22	$6.25	$6.00	$1.84	$2.26	$3.01	$1.73	$1.85	$1.77	$14.49	$16.69	$15.06	23.89	23.22	22.87
MEG Energy Corp	$36.25	$50.21	$62.23	$6.60	$8.58	$6.31	$8.42	$11.27	$10.80	$1.20	$0.37	$2.06	$17.17	$29.80	$37.88	87.73	87.11	97.29
Mean	$39.34	$40.75	$41.33	$8.59	$9.43	$8.69	$3.64	$4.43	$4.62	$4.50	$3.75	$3.93	$22.01	$23.92	$24.30	73.01	75.57	78.58
Median	$41.30	$45.39	$45.20	$6.80	$8.67	$7.08	$2.66	$2.96	$3.01	$3.60	$2.78	$2.56	$20.99	$24.53	$24.76	87.50	87.85	98.99

Canadian Integrated Comps
$CAD/BOE

	Average Sales Price			Operating Expenses			Transportation Expenses			Royalties			Operating Netback			Production (Mboe/d)		
Company	**2018**	**1Q19**	**2Q19**	**2018**	**1Q19**	**2Q19**	**2018**	**1Q19**	**2Q19**	**2018**	**1Q19**	**2Q19**	**2018**	**1Q19**	**2Q19**	**2018**	**1Q19**	**2Q19**
Cenovus Energy Inc.	$35.74	$45.64	$58.22	$7.68	$8.03	$9.07	$6.11	$6.42	$7.76	$3.43	$5.56	$9.24	$18.51	$26.64	$32.14	484.00	447.00	443.00
Suncor Energy Inc.	$59.46	$66.39	$71.98	$23.15	$26.11	$26.68	$4.55	$4.77	$4.26	$1.70	$1.38	$2.98	$30.06	$34.13	$38.06	732.00	764.30	803.90
Encana Corp ***($USD)***	$31.86	$29.39	$29.52	$3.18	$3.70	$3.52	$7.22	$6.90	$6.70	$1.11	$1.14	$1.26	$20.35	$17.65	$17.98	361.20	468.20	591.80
Husky Energy Inc.	$41.50	$47.20	$53.35	$14.00	$16.30	$15.83	$0.22	$0.18	$0.22	$3.30	$3.03	$3.69	$23.98	$27.69	$33.61	299.20	285.20	268.40
Canadian Natural Resources	$34.62	$39.27	$43.38	$12.71	$12.68	$11.68	$2.96	$3.06	$2.97	$3.27	$3.78	$4.06	$15.68	$19.75	$24.67	1079.00	1035.21	1025.80
Mean	$41.50	$46.42	$55.79	$14.00	$12.17	$12.45	$6.11	$5.60	$5.48	$3.30	$2.21	$3.34	$23.98	$27.17	$32.88	484.00	457.60	517.40
Median	$40.78	$45.72	$52.04	$12.45	$13.16	$13.21	$4.53	$4.49	$4.57	$2.69	$2.85	$4.09	$22.09	$25.50	$29.89	573.23	576.25	608.38

Company	ASP 2018	ASP 1Q19	ASP 2Q19	OpEx 2018	OpEx 1Q19	OpEx 2Q19	Transp. 2018	Transp. 1Q19	Transp. 2Q19	Royalties 2018	Royalties 1Q19	Royalties 2Q19	Netback 2018	Netback 1Q19	Netback 2Q19	Prod. 2018	Prod. 1Q19	Prod. 2Q19
Crescent Point Energy	**$59.78**	**$56.35**	**$60.22**	**$13.13**	**$12.77**	**$12.61**	**$2.02**	**$2.10**	**$2.05**	**$9.11**	**$7.53**	**$8.97**	**$35.52**	**$33.95**	**$36.59**	**178.17**	**175.96**	**172.48**

Source(s): Company Filings

Thesis II: Quality Asset Base on Macro and Micro Level Cont.

As seen in Figure XXI, in 2Q19 average per-barrel transportation expenses were just $1.55 for CPG's light oil peers. However, such expenses averaged $4.62 for the company's intermediate (similar sized in relation to CPG yet primarily heavy oil-focused) peer set, and $4.38 for the company's integrated (large, primarily heavy oil-focused) peer set. Such is due to the fact that light oil producers do not need to blend their oil with diluent to make it flow through pipelines, and are not subject to the extreme pipeline capacity shortages (and subsequent need to resort to costly crude-by-rail) that have plagued Albertan heavy oil producers. Further, as seen in Figure XXII, Crescent Point's focus areas are closer to U.S. end-markets on a geographic basis.

The last, and most important, benefit of a light oil-focused production mix is realized pricing. CPG's oil production mix is tied 16% to UHC prices (Sweet at Clearbrook, which traded at a premium of $.03USD in 3Q19), 12% to MSW prices (Edmonton Par Crude), 47% to LSB prices (Light Sour Blend, which traded at a discount of $7.77USD in 3Q19), and 25% to Fosterton Prices (medium oil, traded at a discount of $16.14USD to WTI in 3Q19). Overall, CPG's oil production mix is 75% light oil-based and 25% medium oil-based; each blend that the company produces trades at a premium

EXHIBIT XXII

CPG Egress

Source(s): Company Filings

Thesis II: Quality Asset Base on Macro and Micro Level Cont.

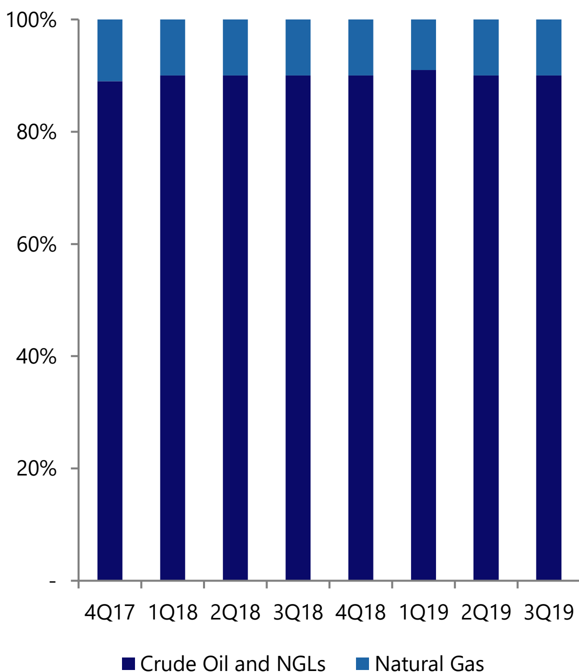
to WCS. This pricing advantage is seen in Figure XXV; the company's average sales price far outclasses that of Canadian integrated producers such as Canadian Natural Resources, and even tops that of fellow light oil producers such as TORC and Whitecap. Further, the fact that the company's production mix is only 10% natural gas-focused is a significant plus. Natural gas prices have remained depressed, and the QUIC E&U team holds a bearish outlook with regard to the commodity. Thus, CPG's liquids-focused asset base should continue to command premium pricing in relation to that of more gas-weighted peers.

Top Tier in Relation to Peers:

On a micro level (i.e. in relation to peers), Crescent Point's asset base is top tier. As stated earlier, the company has displayed an ability to consistently command prices higher than that of even its fellow light oil producers. Moreover, operating costs on a per-barrel basis have been consistently declining since new management took over in 2018; such can be seen in Figure XXI. The company's Flat Lake 2-mile well costs decreased by 15% (from $3.7MM to $3.2MM) on a per-well basis between 2018 and 2019, and in 3Q17, operating expenses were 7% below budget. Overall, operating expenses per BOE decreased 9% YoY in

EXHIBIT XXIII

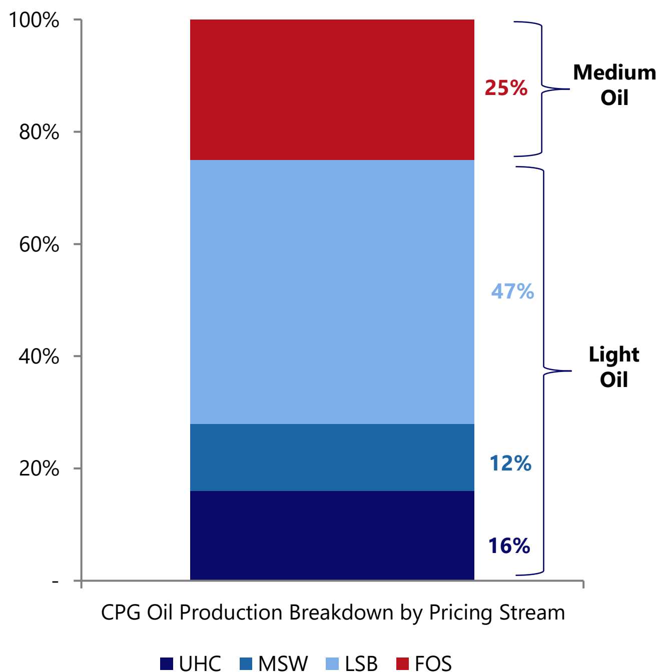
CPG Production Mix



Source(s): Company Filings

EXHIBIT XXIV

CPG Oil Production Benchmark Pricing



Source(s): Company Filings

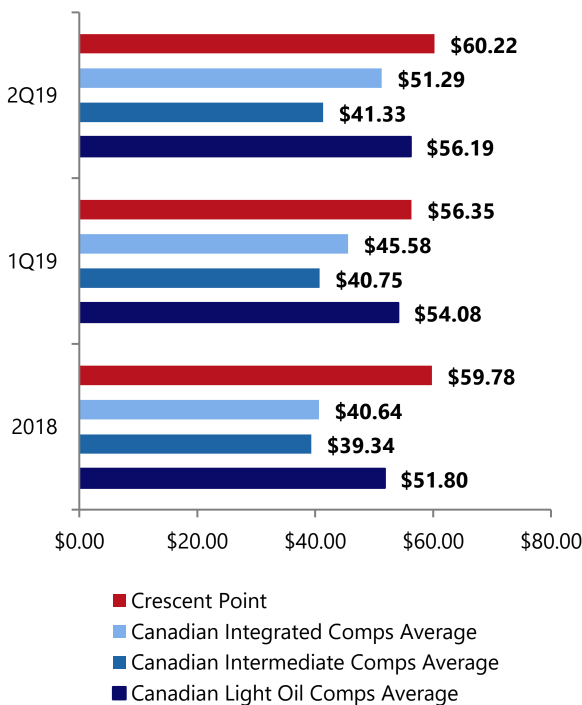
Thesis II: Quality Asset Base on Macro and Micro Level Cont.

3Q19. Such cost decreases have been attributed to increases in efficiency and cost control, as well as the company's recent disposal of high-opex non-core assets. In terms of transportation expenses, such costs have remained relatively flat. Thus, as Crescent Point's management team continues to drive cost efficiencies at the field-level, it is hoped that the company will continue to be able to leverage its top-quality asset base and subsequent realized pricing, and thus continue to achieve industry-leading netbacks. As seen in Figure XXVI, CPG's operating netbacks have continued to outperform that of its similar-sized, yet heavy oil-focused intermediate peers.

However, what is particularly remarkable is that the company consistently outclasses both its fellow light oil peers as well as its integrated peers. In theory, the former should be able to achieve similar netbacks due to such companies' similar asset focus in relation to that of CPG. Further, the latter have often been lauded for their size, and subsequent scale and efficiency virtues. However, such is evidently not the case when such companies' netbacks are compared to those of Crescent Point.

EXHIBIT XXV

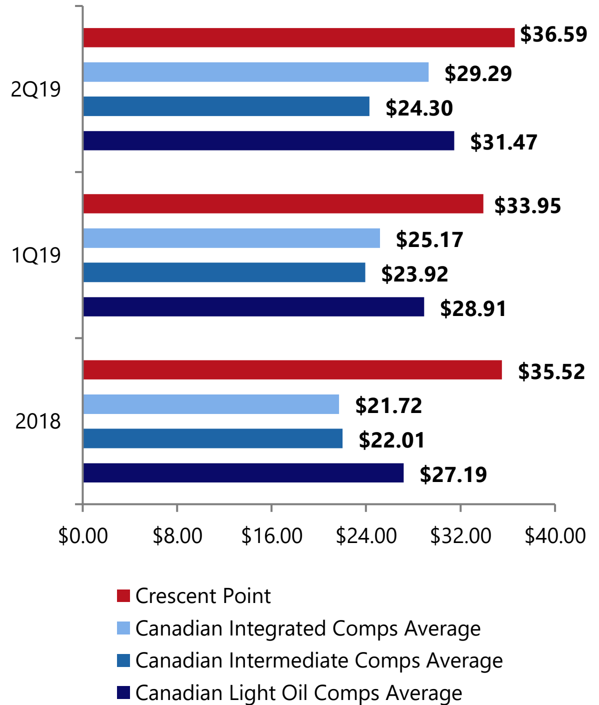
Realized Pricing ($CAD/BOE)



Source(s): Company Filings

EXHIBIT XXVI

Operating Netbacks ($CAD/BOE)



Source(s): Company Filings

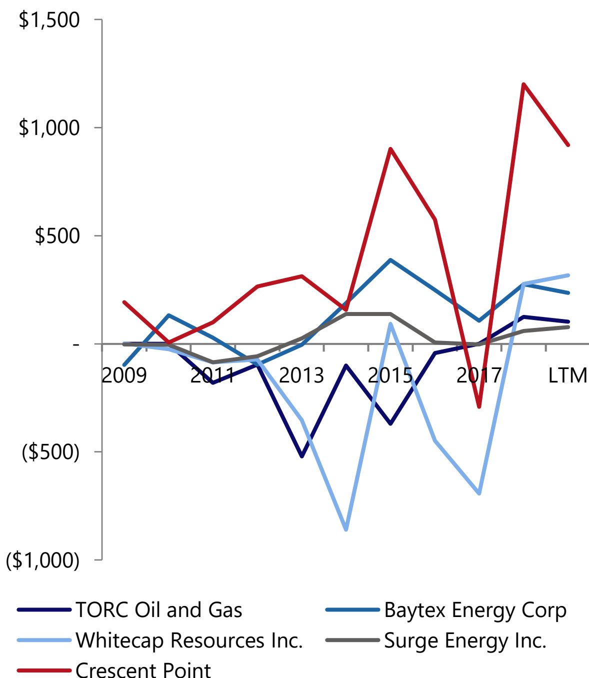
Thesis III: Heavy Market Punishment Despite Operational Excellence

Presently, investor sentiment around the Canadian energy industry is at an all-time low; thus, a severe pricing dislocation has occurred across-the-board with regard to strong and weak names alike. However, such has created a fantastic opportunity for deep-value investing – while many of the companies within the Canadian energy industry truly do deserve to be trading at all-time lows, there are a select few names that remain excellent businesses on a fundamental basis, yet have been unfairly dragged down along with the broader energy market. Warren Buffet cautions against investing in cheap, yet low-quality names; thus, the QUIC E&U team decided to embark upon finding an option within the Canadian energy industry that is inexpensive, yet possesses a high-quality and resilient business model.

While looking for companies that fit into the aforementioned category, the QUIC E&U team decided to place a strong emphasis on resilience of cash flows. Within the boom-bust energy industry, being able to generate cash throughout all periods of the cycle is key – such is the strongest barometer with regard to determining business model resiliency, and subsequent investor risk. As seen in Figures XXVII, XXVIII and XXIX, Crescent Point has consistently outperformed its peers over the course of the past decade, and has displayed a remarkable degree of cash flow resiliency throughout all periods of the cycle. Such indicates that the market is placing an unfair risk premium on the

EXHIBIT XXVII

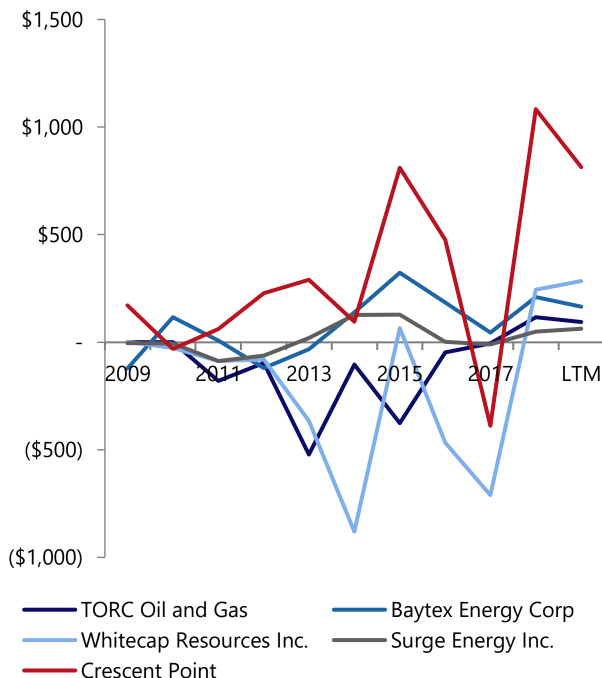
UFCF ($MM) – Canadian Light Oil Producers



Source(s): Capital IQ

EXHIBIT XXVIII

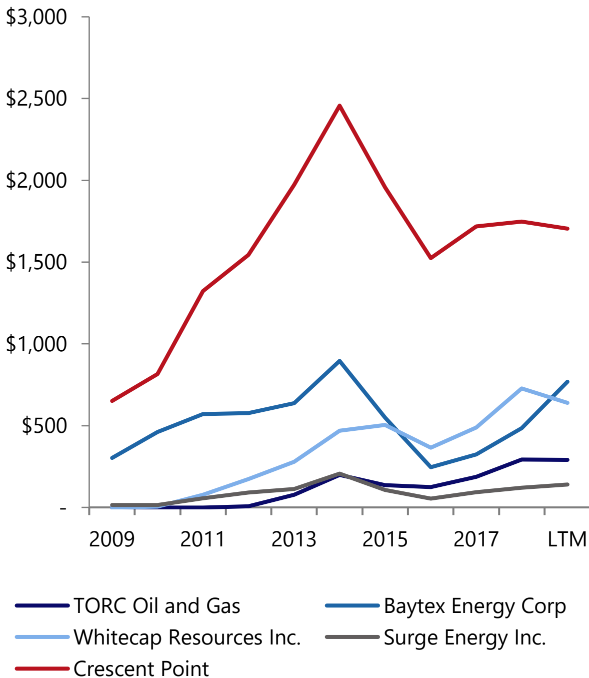
LFCF ($MM) – Canadian Light Oil Producers



Source(s): Capital IQ

EXHIBIT XXIX

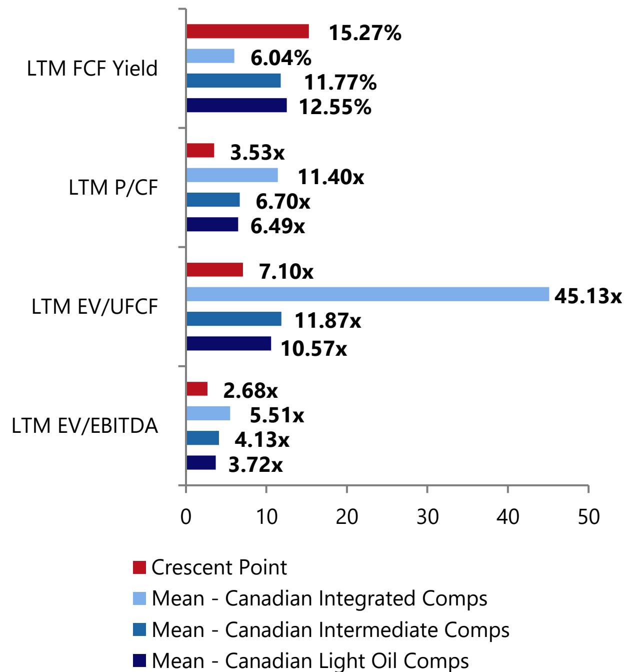
CF From Ops. ($MM) – Canadian Light Oil Producers



Source(s): Capital IQ

EXHIBIT XXX

Current Market Figures



Source(s): Capital IQ

Thesis III: Heavy Market Punishment Despite Operational Excellence Cont.

company in terms of its rock-bottom price point.

Given that nearly every company within the Canadian energy company universe is trading at an extremely depressed valuation, it is almost needless to analyze Crescent Point in relation to its peers, as each potential option can be considered “deep value.” However, even when such analysis is performed, the results are remarkable – Crescent Point trades at a steep discount in relation to its peers on an EV/EBITDA, EV/UFCF and P/CF basis, despite the aforementioned resiliency that the business has consistently exhibited. Further, Crescent Point’s FCF yield currently stands at 15.27%, thus implying that the company’s valuation is so depressed that it could theoretically take itself private in six and a half years. This dislocation between past performance and present price represents a compelling opportunity for the QUIC E&U team, as such demonstrates that the market has failed to correctly analyze the true company-specific risk that can be attributed to Crescent Point.

Valuation & Conclusion

As noted in Thesis I, CPG trades at a significant discount to its peers due to its excessive leverage profile and infamously poor management team. The E&U team believes that CPG's management shakeup and revised executive compensation structure has realigned shareholders with management. As such, if CPG successfully manages to reduce its leverage in the coming years, one can anticipate that the company's common equity value will significantly increase, all else equal. Given this, the E&U team completed a NAV/DCF valuation model with particular attention to liquidity, debt pay-down, and insolvency risk.

First, E&U projected CPG's forward production values through using equity research and accounting for the string of recent divestitures noted in Thesis I.

EXHIBIT XVII

Forward Production Values

		Normalized					
	Note	**2018**	**2019E**	**2020E**	**2021E**	**2022E**	**2023E**
Daily Production (MBO/D)(Liquids)		178.2	162.4	145.1	149.4	149.4	149.4
% Natural Gas		*10%*	*9%*	*8%*	*8%*	*8%*	*8%*
Daily Production (MBO/D)(Gas)		17.8	14.6	11.6	12.0	12.0	12.0

Next, operating income and net revenues (net of royalties and FX charges) were calculated using equity-research-provided netback figures sensitized for WTI futures, plus or minus $10/BOE. These values were the bull, base, and bear scenarios. Under bear case, 2020E+ pre-tax income ranged from ($194) to ($570).

EXHIBIT XVIII

Bull, Base, and Bear Case & Operating Income

Case	***Base***

Revenue Per Barrel					
WTI Bear (-$10)	$54.1	$47.7	$41.1	$41.1	$41.1
WTI Base - Forwards	$55.8	$49.9	$55.5	$55.5	$55.5
WTI Bull (+$10)	$64.9	$64.3	$58.0	$58.0	$58.0

Operating Netback					
WTI Bear (-$10)	$33.8	$32.1	$22.8	$22.8	$22.8
WTI Base - Forwards	$35.9	$32.5	$35.2	$35.2	$35.2
WTI Bull (+$10)	$39.3	$42.2	$37.4	$37.4	$37.4

Net Revenue	**$3,356.6**	**$3,320.5**	**$3,306.4**	**$2,643.3**	**$3,024.8**	**$3,024.8**	**$3,024.8**
(-) Operating Costs	$853.8	$853.8					
(-) Purchased Product	$24.0	$24.0					
(-) Transportation	$131.7	$131.7		$29.1	$30.6	$30.6	$30.6
(-) G&A	$121.9	$121.9					
Operating Income		**$2,189.1**	**$2,128.0**	**$1,690.0**	**$1,888.3**	**$1,888.3**	**$1,888.3**

Source(s): Capital IQ

Valuation & Conclusion Cont.

After, the E&U team calculated operating free cash flow by adding back D&A and accounting for changes in NWC, and then calculated free cash flow after capital investments by projecting and including net capital expenditures. In base case, CPG generated $230 - $613 in free cash flow after capital investments. Under bear case, the company's profits declined until 2021E, eventually turning negative in 2021E – 2023E. Capital expenditures in all scenarios decreased from $1,473 to $1,150 by 2023E given CPG's continual divestiture of non-core assets.

EXHIBIT XXXI

Free-Cash-Flow Calculations (Base Case)

Adjustments to Net Income (Loss)						
(+) D&A	$1,579.9	$1,769.2	$1,690.6	$1,616.3	$1,545.7	$1,485.7
(-) Changes in NWC	$37.2	-	-	-	-	-
(-) Changes in NWC (CFO-Investing)	($81.6)	($44.2)	($35.3)	($40.4)	($40.4)	($40.4)
Combined NWC % Net Revenue	*-1.34%*	*-1.34%*	*-1.34%*	*-1.34%*	*-1.34%*	*-1.34%*
Operating Free-Cash Flow	**$1,960.4**	**$1,863.1**	**$1,480.5**	**$1,657.7**	**$1,653.8**	**$1,721.8**
Capital Expenditures	($1,817.8)					
Capital acquisitions, Net	($15.4)					
Capital dispositions	$243.3					
Long-term investments	$162.1					
Total Capital Investments	**($1,427.8)**	**($1,250.0)**	**($1,250.0)**	**($1,200.0)**	**($1,150.0)**	**($1,150.0)**
% D&A	*90%*	*71%*	*74%*	*74%*	*74%*	*77%*
Free-Cash-Flow After Capital Investments	**$533**	**$613**	**$230**	**$458**	**$504**	**$572**

Capex Schedule						
Net PP&E	$12,010.1	$11,680.2	$11,161.0	$10,670.4	$10,204.1	$9,808.4
D&A	$1,579.9	$1,769.2	$1,690.6	$1,616.3	$1,545.7	$1,485.7
Ending PP&E	$10,430.2	$9,911.0	$9,470.4	$9,054.1	$8,658.4	$8,322.7
D&A % PP&E	*15.1%*	*17.9%*	*17.9%*	*17.9%*	*17.9%*	*17.9%*
Avg. Asset Lifetime	*6.60 Years*	*5.60 Years*	*5.60 Years*	*5.60 Years*	*5.60 Years*	*5.60 Years*
Capex	($1,427.8)	($1,250.0)	($1,250.0)	($1,200.0)	($1,150.0)	($1,150.0)

Then, given the apparent downside risk of CPG's common equity, the team completed a liquidity analysis to determine if the company's core operations could sustain its debt load in the event of no access to capital markets. Calculating residual liquid assets (cash + liquid derivative securities) and subtracting principal repayments, E&U found that in every scenario CPG would be cash flow-positive, with the exception of base/bear cases in which the revolver-due cannot be rolled-over.

Still, with only $1.5B unaccounted for and given CPG's $9.3B in net property plant & equipment, E&U believes that CPG rolling-over/refinancing its revolver will not be challenging or exceptionally costly. It is worth nothing that CPG's revolver is long-standing and that the company has managed to successfully extend its revolver maturity numerous times before, with the most recent maturity extension being this quarter, due 2023. As such, the E&U team conservatively believes that insolvency or bankruptcy risk for CPG is low.

Source(s): Capital IQ

Valuation & Conclusion Cont.

EXHIBIT XXXII

Liquidity Analysis (Base Case)

Liquid Assets						
Cash	$15.3	$547.9	$1,161.0	$1,391.5	$1,849.1	$2,352.9
Derivative Assets	$244.1	$244.1	$244.1	$244.1	$244.1	$244.1
Cumulative Liquid Assets	**$259**	**$792**	**$1,405**	**$1,636**	**$2,093**	**$2,597**
(-) Principal Repayment	-	-	$202.9	$118.7	$286.8	$2,114.2
Risidual Liquid Assets	**$259**	**$792**	**$1,202**	**$1,314**	**$1,485**	**($126)**

Last, E&U arrived at CPG's enterprise value through first discounting free cash flow after capital investments from 2019E to 2023E at a cost of capital of 10%, and then through calculating CPG's terminal value by discounting a zero growth perpetuity of the company's 2023E free cash flow after capital.

E&U chose its 10% discount rate by adjusting upward CPG's CAPM WACC of 6.6%. This was necessary, as while the company's large debt load caused a significant decrease to WACC, the insolvency risk associated with CPG's debt profile has yet to be accurately reflected in trailing beta. E&U believes that 10% is a more accurate representation of risk. While perpetuities are somewhat uncommon in E&U valuation, the company's stated goals of reducing and maintaining asset size (so that capex is equal to D&A) allow the team to accurately forecast the stream of free cash flow that CPG's assets will generate 2-5 years out.

Given this analysis, returns to shareholders are as-follows in each scenario: bull: 98%, base: 52%, and bear: (126%). The nature of the perpetuity calculation provides extreme downside in the event that terminal year free cash flow is negative, as seen in bear case. In this scenario, if terminal value is replaced with liquidation value of assets, CPGs net PP&E of ~$8B in 2020E would only need to sell at 46% of book value to arrive at today's share price. Given this, E&U believes even in the event of a bear case, CPG has the liquidity and asset-base to service its obligations. Thus, the risk-to-reward profile of an investment in CPGs common equity is very desirable, and E&U will look to take an active position in the name in its Canadian portfolio.

EXHIBIT XXXIII

Implied Share Price (Base)

FCF After Capital Investments	**$533**	**$613**	**$230**	**$458**	**$504**	**$572**
Period		*0.5*	*1.5*	*2.5*	*3.5*	*4.5*
Discount Factor		*1.05x*	*1.15x*	*1.27x*	*1.40x*	*1.54x*
Present Value of Free-Cash-Flow	**$243**	**$585**	**$200**	**$361**	**$361**	**$372**
Terminal Value						**$3,724**
Implied Enterprise Value						**$5,845**
				TV % EV		*63.7%*

Equity Value Walk-Down	
Enterprise Value	$5,845.2
Less: Total Debt	$3,712.1
Plus: Cash & Equiv	$1,774.2
Plus: DTA	$505.5
Equity Value	**$4,413**
Share Price	**$8.04**
Premium (Discount)	***52.0%***

Source(s): Capital IQ

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