



Crescent Point Energy Corp's 6.42% Dividend Could Be Heading Higher

Description

Crescent Point Energy Corp (TSX: CPG)(NYSE: CPG) recently announced several important news items. All of which could point to the company having the ability to boost its already generous 6.42% dividend yield.

Let's take a closer look at its latest news items and how these relate to the company's dividend.

Acquisition machine keeps on humming

Crescent Point Energy's first announcement was that it was buying \$378 million worth of oil and gas assets from **Lightstream Resources Ltd** (TSX: LTS). In the deal Crescent Point Energy is picking up conventional oil assets in Saskatchewan and Manitoba in exchange for \$375 million in cash and \$3 million in oil and gas assets that it will send back to Lightstream.

The assets it is acquiring currently produce 3,300 barrels of oil equivalent per day (BOE/d) and are located within Crescent Point's current asset base making this a smart bolt-on acquisition for the company. Even better, the assets produce significant free cash flow, which is a key consideration when we're talking about the company's dividend. In fact, Crescent Point Energy expects its newly acquired assets to produce \$51 million in free cash flow over the next year.

The deal also marks the second time in the last few months that [Crescent Point Energy bought an oil rich, cash flow-focused asset](#). This past June the company spent \$334 million for oil assets in the Viking oil play, which are expected to boost cash flow by \$52 million over the next year.

Organic growth continues

One of the other important keys to Crescent Point's deal with Lightstream was it also included some added upside from future exploration. Not only did the assets come with 72 identified drilling locations, but the company also acquired some undeveloped land that it believes holds significant exploration potential. If that turns out to be the case then Crescent Point could net some additional upside.

Crescent Point Energy is also starting to see some upside from its own exploration programs. The

company's second big announcement was an exploration success in the Torquay play in southeast Saskatchewan. The company drilled a number of vertical and horizontal wells in the play to delineate its acreage and the results were encouraging enough that the company is now confident that it has another 590 future well locations. These future well locations have the potential to provide production and cash flow growth in the years ahead.

As a result of this discovery, as well as the recent acquisitions and the performance of its waterflood assets, Crescent Point Energy also announced that it is raising its production guidance for the year. The company now expects to end the year producing 155,000 BOE/d, which is up from its previous guidance of 149,000 BOE/d. While it is increasing capital spending by \$200 million to \$2 billion, it also expects to increase funds flow from operations by \$100 million to \$2.6 billion.

Overall, the company now expects to drive a 16% increase in cash flow this year, which is good news for the dividend. More importantly these announcements fit well with the company's goal to double its cash flow per share within five years.

Investor takeaway

The deal with Lightstream Resources will help Crescent Point Energy reduce its payout ratio as the assets produce real strong cash flow. On top of that the company continues to make progress toward doubling cash flow per share in the next five years.

As that progress continues the company should have the capacity to boost its dividend making its currently generous yield all that more compelling in the future.

CATEGORY

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