How Crescent Point Energy Corp's 10.4% Dividend Could Keep Growing

Description

Crescent Point Energy Corp's (TSX: CPG)(NYSE: CPG) stock has been crushed by falling oil prices. It's down nearly 34% over the past year as investors worry that the plunge in crude oil prices will put an end to the company's generous dividend. However, that future isn't what the company's CEO sees as he sees the plunge in oil prices as an opportunity to aggressively acquire rivals in a move that could actually send its dividend higher in the future.

Canada's top energy dealmaker

According to a recent article in Bloomberg, Crescent Point Energy, which is Canada's most acquisitive energy company, is on the lookout for more deals. The company has already made 40 oil and gas deals in the past decade. In just the past six months the company has announced two fairly large deals , including one with **Lightstream Resources Ltd.** (TSX: LTS), which were made to bolster the company's cash flow.

The company spent $712 million to pick up $103 million in annual free cash flow. Prior to that the company bought CanEra Energy in a $1.1 billion deal. Again, the draw there was picking up substantial free cash flow as the purchase is expected to bring in $180 million in free cash flow.

However, these cash flow assumptions were made with oil prices staying over $100 per barrel. That said, even at lower oil prices the company will still produce substantial cash flow as the netbacks, or its margins, ranged from $62 per barrel of oil equivalent, or BOE, all the way to $85 per BOE at $100 oil prices. So, the company will still make plenty of money on these assets even at today's lower oil prices.

Ready for more

Now, with oil prices well below $100 per barrel the company actually would like to make more deals with an eye toward higher oil prices in the future. According to CEO Scott Saxberg in a Bloomberg article, his company is now looking for bargains as it's seeking deals with rivals with high debt loads.He said, "We look at this time period as a great opportunity to look for consolidation opportunities tofurther grow the company and take advantage of guys who have weaker balance sheets." He notedthat in times like these companies that have to sell typically sell their best assets.

Crescent Point is looking at this as an opportunity to buy assets that will really perform well once oil prices recover. The deals the company made this year were purchased for about six times cash flow under the assumption oil prices would average $100 per barrel. If the company can acquire more assets at six times cash flow or less, but at this time assuming $60 oil, those assets will really outperform when oil prices march higher.

Investor takeaway

Crescent Point Energy sees the current crude oil rout as an opportunity to go on the offensive. The company hopes to buy assets that produce strong cash flow when oil prices are low, enabling the company to really cash in when oil prices head higher at some point in the future. It's a move that could push the company's dividend a lot higher in the future, assuming oil prices do one day go back over $100 per barrel.

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