Which Company Will Be Next to Slash its Dividend?

Description

On the Business News Network (BNN), a caller recently asked if the dividend of **Baytex Energy Corp** was in danger. The response was fairly simple: “I don’t know where oil prices will go.”

As it turns out, the caller got a more definitive answer on Wednesday, with Baytex cutting its payout by more than half. In response, the company’s shares are off by more than 8%, as of this writing.

That leaves an all-important question: Which companies will be next to cut their dividends? Below we highlight three prime candidates.

1. Enerplus

Enerplus Corp. (TSX: ERF)(NYSE: ERF) has one of the highest yields in the **S&P/TSX 60**, at nearly 9%. But this payout is in big trouble.

To understand why, you only need to look at the company’s latest quarterly report. So far this year, the company has spent $65 million more than it has made in cash flow. Yet it has still paid $144 million in dividends. How has this been possible?

Well, the company has sold $185 million worth of assets too. But with the oil price declining so severely, this strategy will not be so easy to continue. Not only will cash flow from production be lower, but assets will be more difficult to sell too.

We haven’t heard from the company since mid-November, before oil prices really start to crash. But when we do, it’s hard to imagine any good news coming from management.

2. Talisman

Talisman Energy Inc. (TSX: TLM)(NYSE: TLM) shares surged earlier this week on news that Spanish giant **Repsol** may once again be interested in buying the company.

But this is not worth counting on. Remember, Repsol balked at buying Talisman earlier this year, and the oil price plunge has made the Canadian target even less attractive. Repsol knows it is not competing against any other buyers, and will likely demand a bargain price.

And if these talks fail, then Talisman will surely cut its dividend. Like Enerplus, the company has been burning cash, and funding the dividend through asset sales. This strategy will not work going forward, and Talisman needs more cash to pay down its $4.7 billion in debt.

3. Lightstream Resources

Lightstream Resources Ltd. (TSX: LTS) has a dividend yielding north of 25%, and that alone should send a very clear signal that a dividend cut is not only inevitable, but imminent.

Like Enerplus and Talisman, Lightstream has been using asset sales to fund its massive dividend, but that will no longer work in today's oil price environment. Also like Enerplus, we haven't heard from Lightstream since mid-November. And next time we do hear from management, the company's 4 cent per month dividend will certainly be slashed, if not eliminated completely.

CATEGORY

1. Dividend Stocks
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1. NYSE:ERF (Enerplus Corporation)
2. TSX:ERF (Enerplus)

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