# Is Crescent Point Energy the Best Option for Energy Investors?

## Description

On Friday, WTI crude fell to $57.49, sending tremors and aftershocks across the markets and left investors continuing to wonder what to do with their once-prosperous energy holdings. My answer to this is inspired by an event that comes once a year and brings joy to consumers and retailers alike: Boxing Day. This is a time where rock-bottom deals abound and buyers line up to open their wallets.



The current drama with oil prices can be seen in the same light, except instead of one day of savings, we may be seeing at least a year of discounted energy stocks. Which leads to the question: Which Canadian energy company is your best bet over the next couple of years?

### Your best bet

My favorite Canadian energy player is **Crescent Point Energy** (TSX: CPG)(NYSE: CPG). While it has received little love during this time of kamikaze oil prices, it does have lots of positives. One of the most appealing things about Crescent Point is its dividend program, which always garners a double take.

Its $2.76 annualized payout is quite generous, but that amount is overshadowed by its dividend yield of 12.38%. No, I didn't put the decimal in the wrong place, that's a 12.38% yielding dividend.

The financials look quite healthy as funds flow from operations over the past nine months are up by 21% as compared to last year, totalling $1.83 billion. Net income over the same period is up by 144% with a cash total of $387 million. These are great results, but in its third quarter the average price of crude was $90.57 and Crescent Point's netbacks in Q3 2014 were $54.89 per barrel.

### When will crude recover?

The general consensus is that it could take at the very least a year for supply and demand to even out enough for prices to return to normal. A key factor here is the continued overproduction in SaudiArabia, which is designed to lower the price of oil enough to discourage development in U.S. shaleregions. Unfortunately for Canadian producers the Albertan oil sands is the most expensive region todevelop, which makes Crescent Point attractive as the majority of its production comes fromSaskatchewan shale deposits.

**Crescent Point is bargain hunting as well**

Investors are not alone during this season of energy struggles; earlier this month Crescent Point CEO Scott Saxberg revealed that, “We look at this time period as a great opportunity to look for consolidation opportunities to further grow the company and take advantage of guys who have weaker balance sheets”.

Crescent Point Energy has a reputation as one of the country’s leaders in terms of acquisitions with over 40 acquisitions in the past decade. But how could it justify such a strategy in the current market conditions?

Its dividend program is the key, and many analysts have called on the company to slash its eye-popping dividend. A cut in the dividend over the short term would open up cash to go out and make some heavily discounted moves, which will help the company in the long term.



So far this year Crescent Point has paid out $864 million in dividends, and while its dividend program helped the price of the stock to get over $48.00, it might be time to reallocate its cash to fully take advantage of what is happening. In a couple of years investors who are loading up near 52-week low prices of $21.76 could be in for quite the return from a stronger energy company.

**CATEGORY**

1. Energy Stocks
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