Is Crescent Point Energy Corp. Ready to Lead the Energy Sector in Acquisitions?

Description

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) is undoubtedly a darling among investors, given its commitment to protecting dividends.

The company currently yields about 9.8% and has never cut its dividend. Ever. That's precisely why investors love this company. It has always done everything it can to avoid slashing the dividend, and thus has earned the trust of its shareholders. During tough market conditions, Crescent Point prefers to opt for a cut in its capital spending budget as a way to ride the volatile times.

In November 2014, when the company's dividend was over 12% in a scary oil environment, investors were on the edge of their seats, wondering if a dreaded dividend cut would be announced. But Crescent Point did not disappoint and decided to try and get costs down immediately by cutting capital expenditure instead. Since then, they have done a great job keeping costs low.

The company announced its fourth-quarter results this week, which met expectations on both production and cash flow. Moreover, it did well on its recycle ratios, which came in at 2.5 times. This means Crescent Point is able to get a return of about 2.5 times of what it costs to find a barrel of oil. That's not bad in the current oil environment.

What's more important is that the Crescent Point has increased its financial flexibility. It has bumped up its credit facility by 40%—adding about $1 billion. This is crucial, since it gives the company more flexibility to make crucial decisions if and when the oil market changes. An addition of $1 billion to its books indicates that Crescent Point may be ready to use this money to make some pretty valuable acquisitions and asset purchases.

It's hard to determine the exact time and value of a purchase, or if in fact it makes one at all. But it sure looks likely, given the fact that the company's books are strong. It's only a matter of time when weaker energy players with great assets will have to give in to the $47-50 oil prices. That's when companies like Crescent Point will sweep in and add quality assets to their holdings at "throw-away" prices.

One portfolio manager at Sentry Investments (who is also a shareholder of the company) believes Crescent Point will make an acquisition sooner rather than later. Furthermore, an analyst from CIBC

World Markets says a change or revision in the company's balance sheet, like a reduction in capital expenditure, will most likely be announced after spring break. Only time will tell.

Since the start of the year, shares of Crescent Point are up about 5-7%, but when compared with the same time last year, its shares are down about 29%. The company currently trades at the low end of its 52-week lows, which is a decent entry point.

So, if you are considering adding Crescent Point to your portfolio or are looking to increase your stake in the company, now may be a good time to do so.

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