



## Should You Buy Crescent Point Energy Corp. for its 10% Yield?

### Description

**Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) is an oil and gas exploration and production company. In March 2015, it reported having proved reserves of 528.1 million barrels of oil-equivalent.

Its 10% yield stands out to potential investors as that already is the average return of the market. This means that any capital gains received from buying Crescent Point Energy are a bonus. Crescent Point Energy's strategy is to acquire high-quality assets, manage risk by hedging oil prices, and manage its portfolio of assets.

#### Is Crescent Point Energy's 10% yield safe?

Crescent Point Energy aims to provide long-term stability to its dividends. It maintains a conservative balance sheet with access to \$2.3 billion untapped bank line capacity. In addition to that it has a rolling 3.5-year hedging program providing cash flow stability.

For 2015, it has hedged more than 56% of its oil production at around \$89 per barrel. For 2016, 33% is hedged at a floor price of ~\$84 per barrel. For 2017, 9% is hedged at a floor price of ~\$81 per barrel.

During the financial crisis, the oil price touched US\$30 per barrel, but since July 2008, Crescent Point Energy has paid a monthly dividend of \$0.23 per share, and never cut it once.

Crescent Point Energy's monthly dividend looks safe for now with added cash flow stability from the hedging program and the option for management to reach into its bank line capacity if needed.

#### Building free cash flow assets

Crescent Point Energy has strategic positions in four of the largest medium to light oil resource pools in Canada. Located in Saskatchewan are Viewfield Bakken and Shaunavon, which are more mature assets in their eighth and sixth year of production respectively.

New technology used in the Viewfield Bakken asset has more than tripled the net present value of each well. This technology advancement can also be used in the newer assets of Uinta and Flat Lake, which came online in the last two to three years.

#### Near-term risk

No one knows how long the oil price will stay low or how low it may go. In the near-term, probably for the next year or so, there is likely to be more oil price volatility, which will translate to Crescent Point Energy's price volatility.

### **What can investors expect in the future?**

Investing always comes with risk. If you are able to stomach the near-term volatility, patient investors can consider buying shares in Crescent Point Energy. When the oil price rebounds, you should also get some nice capital gains as well.

Analysts estimate a one-year target price of \$40. The recent price of near \$27.50 indicates an estimated return of 45%. Adding the 10% yield, the total estimated return is 55%.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

1. NYSE:VRN (Veren)
2. TSX:VRN (Veren Inc.)

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