



## Is This the Right Time to Buy Crescent Point Energy Corp.?

### Description

**Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) continues to stand out among its peers as one of the few companies that remains committed to paying a big dividend.

With oil prices still trading below \$50 per barrel investors are wondering if Crescent Point can truly keep paying out so much money.

Let's take a look at the situation to see where things stand, and whether or not you should consider adding the company to your portfolio.

### Consistency matters

Crescent Point has a strong history of weathering storms in the oil market. The company resisted pressures to cut the payout during the Great Recession, and that decision proved to be wise.

Oil prices rebounded and Crescent Point gained the confidence of investors that it is capable of managing the balance sheet through difficult times.

This is extremely important because Crescent Point has traditionally relied on capital markets to fund its development activities, as well as its strong appetite for acquisitions. By providing an attractive dividend, the company has always been able to issue new stock or debt to meet its capital needs.

The business model has some critics among energy analysts because the dividend payout has historically exceeded free cash flow. So far, the strategy has been successful, and investors continue to support the stock.

### Hedging helps

Crescent Point has done a great job of protecting its revenue stream by hedging its production at high prices. In its Q4 2014 earnings statement, Crescent Point said it has 56% of 2015 oil production hedged at an average floor price of CAD\$89 per barrel (bbl) and 33% of 2016 at CAD\$84/bbl. As of March 9, the company said it had \$485 million in unrealized mark-to-market gains on its hedging

positions through 2018.

### **Strong balance sheet**

Crescent Point recently increased its credit facility by \$1 billion to a total of \$3.6 billion. Roughly 35% of the facility has been drawn. The company finished 2014 with \$2.85 billion in long-term debt and a reasonable debt to annualized funds flow from operations ratio of 1.3.

Crescent Point is using the weakness in the oil sector to lean on suppliers for better pricing. As a result, the company expects to see 15-20% in cost savings in some projects as compared to 2014.

### **Should you buy?**

Crescent Point has the near-term capacity to maintain the 9.4% dividend and will defend the payout as long as it prudently can. The stock has rallied more than 30% off the December lows, so the easy money has already been made. If you believe oil prices will move higher next year, Crescent Point is probably a good bet on current prices, but investors should be prepared for more volatility in the coming months.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

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

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### **Date**

2025/09/09

### **Date Created**

2015/03/25

### **Author**

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