



## Don't Panic Over Crescent Point Energy Corp.'s Falling Price

### Description

Usually, greater risk comes with a higher-yielding company such as **Crescent Point Energy Corp** (TSX:CPG)(NYSE:CPG). That's why the market allows its yield to be higher than the average yield. Even before the oil price drop, Crescent Point yielded 6.5%, higher than the average yield of 3-4% of solid dividend companies.

Just how should investors view Crescent Point? Here's my experience.

My initial goal of buying Crescent Point is to receive a high income that I believe to be safe. So far, I have averaged down once, and my yield on cost is now over 10%. Compare that to Crescent Point's yield of 13.9% today.

My combined shares are down by 27% because Crescent Point Energy continues to make new lows and there's no end in sight. After the oil price fell from over US\$100 to below US\$50, it hasn't shown any signs of recovery.

### Is Crescent Point's dividend still safe?

Since paying a monthly dividend from September 2003, Crescent Point has not cut it once, which is almost 12 years of continuous dividend payments. And on July 2, the company's guidance for 2015 includes the \$2.76 dividend with higher production of oil and natural gas liquids, and natural gas. At times of low prices, higher production volumes increases the safety of the dividend.

Its hedging program also provides cash flow stability. Fully 54% of oil production for the second half of 2015 is hedged at \$87.50 per barrel. Crescent Point is not overly reliant on debt, with a debt-to-cap ratio of 26%. Its recent acquisitions of Legacy Oil + Gas Inc. and Coral Hill Energy Ltd. are accretive on production and cash flow. So, I believe there's no immediate danger to Crescent Point's dividend.

### How to reduce risk?

I will limit my Crescent Point position to no more than 2.5% of my portfolio. Further, I'm averaging into my position instead of buying in a lump sum so that I can choose my buy price and choose how much

to buy manually. This also means I'm not automatically reinvesting the dividends that offers a 5% discount. By collecting the dividend, I can use it to diversify into other investments to reduce concentration risk.

If you're looking for a high yield investment in Crescent Point, I think its shares are cheap under \$20. That is a discount to its book value of \$22.55. Oil price remains low and volatile, so Crescent Point is not for the faint-hearted. For now, I will sit back and take in the monthly juicy dividend.

## CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

## TICKERS GLOBAL

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

## Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

## Date

2025/08/28

## Date Created

2015/07/27

## Author

kayng

default watermark

default watermark