# Should Income Investors Buy Crescent Point Energy Corp.?

## Description

**Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) reduced its famous dividend in August, but the distribution still offers a nice yield and investors are wondering if the new payout is safe.



Let's take a look at the current situation to see if Crescent Point is a good income pick.

### Cash flow is king

Crescent Point brought in Q3 funds from operations of $484 million. Capital expenditures for the quarter totaled $321 million, so the company easily covered those costs. The remaining $163 million was available for the dividend, and it all went out to shareholders.

Unfortunately, it wasn't quite enough as dividend payments for the quarter totaled $218 million.

Should you worry?

Crescent Point still paid its previous $0.23 per share monthly distribution for part of the third quarter. The new payout of $0.10 per share will only eat up about $150 million in quarterly cash flow, so the company should be able to meet its obligations assuming capital expenditures and funds from operations remain stable going forward.

### Output

Crescent Point increased its Q3 year-over-year production by about 4% per share as additional output came online from two recent acquisitions. Production for Q3 2015 hit a record 172, 579 boe/d.

### Balance sheet situation

Crescent Point ended Q3 with $4.4 billion in long-term debt, up about 70% from the same time last year. The debt level has increased significantly, but the overall obligation is still at a manageable level.

The company remains well within its allowable ratios. The Q3 senior debt-to-capital ratio was 0.31, far below the 0.55 limit. The senior-debt-to-EBITDA and total-debt-to-EBITDA numbers are also well within the lending requirements.

Crescent Point has credit facilities of $3.6 billion, of which $1.4 billion is still available.

**Should income investors buy?**

Crescent Point has more than 50% of its remaining 2015 production hedged at $88/bbl and 33% of 2016 output hedged at $83/bbl. Management says Crescent Point can meet its cash flow needs as long as WTI oil prices remain above US$40/bbl.

At the moment, WTI is pretty much at $40 with no indications that a rally is imminent.

Crescent Point has fantastic assets and a strong management team. As a long-term play on the oil sector, it is probably a decent bet, but I wouldn’t buy it for the distribution.

**CATEGORY**

1. Dividend Stocks
2. Energy Stocks
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