# Can Crescent Point Energy Corp. Maintain the 7% Dividend?

## Description

**Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) still pays one of the best dividends in the energy patch, but investors are wondering if the reduced payout is sustainable going into 2016.



### Oil prices

Crescent Point says it can meet all of its cash flow obligations if WTI oil is US$40 per barrel or higher. Right now, WTI is trading right on that mark.

Projections vary widely for 2016.

Some pundits speculate the price could drop as low as $20 per barrel. Analysts on the bullish side of the argument say oil could rally as high as $70 or even $80 per barrel in the next 12 months.

That’s a big spread given the fact that all the experts are analyzing the same data.

Dividend investors should probably err on the cautious side and assume WTI will average $40-50 per barrel next year. If that turns out to be the case, the dividend should still be safe if you believe what Crescent Point’s management team is telling the market.

### Production

Many energy companies are cutting back capital spending and seeing a reduction in output. Crescent Point has managed to boost production primarily as a result of two recent acquisitions. In the third quarter, production rose to a record 172,579 boe/d, which translates into a 4% year-over-year increase per share.

### Dividend payments

In August Crescent Point cut its monthly dividend from $0.23 per share to $0.10 per share. Management held off as long as possible, but the plunge in oil prices through the back half of the summer forced the team to give in.

The move was a smart one because current cash flow would not be adequate to cover the old payout. Under the new program, the company should be able to meet the capital requirements and the dividend, assuming cash flow remains level with the Q3 numbers.

Here’s how the recent numbers came in.

Cash flow in Q3 was $484 million. The company spent $321 million in the quarter on capital projects, so the funds from operations covered costs of keeping the oil flowing and the company had $163 million to pay dividends.

Crescent Point has to generate about $150 million in free cash flow per quarter to pay the new distribution.

**Hedging**

Crescent Point has 33% of its 2016 production hedged at CAD$83/bbl. This is down from the 2015 hedged position of about 50% of production at CAD$88/bbl.



**Should you buy?**

If you are an oil bull, Crescent Point looks attractive right now and the dividend should be sustainable. If you think WTI oil is going to fall even further and stay below $40 per barrel, it would be best to look elsewhere for your dividend picks.

**CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. NYSE:VRN (Veren)
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**Date**
2025/09/08
**Date Created**
2015/12/04
**Author**

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