Crescent Point Energy Corp.: The Year in Review for 2015

Description

The year 2015 was one to forget for **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG). Among the highlights (or should we say lowlights), the company struggled with low oil prices, it cut its dividend, and it saw its share price plunge. We take a closer look below.

January-March: a step ahead

When oil prices crashed in late 2015, many of the energy patch's highest-yielding names had to slash their dividends. But Crescent Point was an exception, maintaining its dividend throughout the beginning of the year.

The company was able to do this because of its strong balance sheet. To illustrate, the company's adjusted net debt of $3.2 billion was not much for a company worth more than $10 billion. By comparison, some producers had net debt well in excess of their market values.

For that reason, Crescent Point remained popular among dividend investors and energy investors. The company's stock price held up relatively well as a result, and it even increased during the first three months of the year.

April-July: a poor decision

As the spring approached, Crescent Point's prospects started to improve as the WTI oil price climbed up to US$60. Then the company pounced with a $1.5 billion takeover of Legacy Oil+Gas in May. I praised the move at the time, as did many others–after all, it seemed that Crescent Point was using the downturn to opportunistically snap up some cheap assets.

But it turned out to be the wrong move. Crescent Point had to issue 19 million new shares to fund the purchase and also assumed nearly $1 billion of new debt. Then when oil prices turned south again, the dividend came under serious pressure, and it became clear that a cut was imminent. By the end of July, Crescent Point's dividend yielded 14%.

August-December: a rough ride

In mid-August, Crescent Point did what many analysts were expecting: it slashed the dividend by more than 50%. It was not a pleasant decision to make, since preserving the dividend has long been one of Crescent Point's top priorities. But CEO Scott Saxberg made it clear that the cut was necessary for preserving the balance sheet.

Since then, the situation has only worsened with WTI once again falling well below US$40. Consequently, Crescent Point's dividend has once been called into question again, and the company's stock price is down more than 40% on the year.

Looking ahead: an uphill climb

Crescent Point is in an awkward situation primarily because its dividend will be sucking up cash right when the company needs to preserve funds.

For that reason, I wouldn't recommend Crescent Point for your portfolio. If you're looking for big dividends, there are better opportunities outside the energy sector. If you're looking for an oil bet, you're better off buying a stock that isn't hampered by its payout. Either way, the best thing you can do with Crescent Point is watch it from a distance.

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