



## Crescent Point Energy Corp. Has Transformed Itself Into a Worthwhile Investment

### Description

In the past couple of years, **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) has transformed itself from a serial acquirer and a big dividend payer to a much more disciplined organization. And that makes the company a compelling investment.

### Crescent Point then

To understand what Crescent Point was like before oil prices plunged, let's go back to 2012.

That year the company completed over \$3 billion of acquisitions and funded these purchases primarily with new stock. As a result, the company's share count took off from 289 million at the end of 2011 to 376 million at the end of 2012.

This is not something shareholders normally like to see, primarily because it results in mass dilution. It can also be a sign that management is more concerned with building a large empire than it is with creating value. Tellingly, Crescent Point's share price decreased by 16% that year.

At the same time, Crescent Point was paying out a monster dividend of \$0.23 per share per month. In fact, the dividend actually exceeded the company's free cash flow. So in order to meet the payout, the company offered shareholders a 5% incentive to take their dividend in equity rather than cash.

As a result, the share count continued to grow. For example, Crescent Point's shares outstanding grew by another 5% in 2013, even though the company didn't complete any major acquisitions that year.

Of course, these new shares came with big dividend obligations as well. It's no coincidence that Crescent Point's dividend didn't rise once since its conversion to a corporation in 2009. To put it bluntly, there were a lot of things to dislike about the company.

### Crescent Point now

When oil prices started to crater in late 2014, there were a few energy companies that cut their payouts almost immediately. But Crescent Point was able to hold on much longer for a number of reasons.

First of all, the company had a robust hedging program, which it employed to make the dividend more stable. Secondly, the company had a strong balance sheet, primarily because all those acquisitions were funded with shares. Finally, Crescent Point had very strong assets.

As oil prices kept falling, Crescent Point eventually slashed the dividend in August of last year and cut the payout again earlier this month. The dividend now stands at a measly \$0.03 per share.

While this may sound like bad news, Crescent Point is a completely different company. It is no longer concerned with getting big; instead, it just wants to preserve the balance sheet. The hedging program still has some legs and will protect shareholders in today's oil environment. And, of course, the assets remain very economic. These are all things you should look for in an oil company.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

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

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