Will Crescent Point Energy Corp. Raise its Dividend in 2017?

Description

Crescent Point Energy Corp. (TSX:CPG)(NYSE:CPG) used to pay its investors a very generous $0.23 per share each month in dividends. Unfortunately, the oil crash over the past few years forced the company to make several cuts, including the dividend. However, with crude prices on the rise, the company has started reversing some of those cuts, which could put it in the position to boost its dividend before the end of the year.

Cutting its way to survival

Crescent Point quickly responded to falling oil prices by cutting spending. For example, in early 2015 the company cut its capex budget 28% below the prior year, setting spending at $1.45 billion. The company continued to reduce cash outflows in response to sliding oil prices over the next several months. By August 2015, for example, the company cut capex by another $100 million and reduced its monthly dividend to $0.10 per share.

Crescent Point started 2016 out much the same way, cutting capex down to a range of $950 million-1.3 billion. A few months later, the company reduced its dividend again, cutting it to $0.03 per share each month, saving another $430 million in annual cash flow. These moves set the company up to live within cash flow at $35 oil.

Turning the pump back on

However, after dipping into the $20s last year, oil prices roared back by mid-year and have since stabilized above $50 per barrel. Because of that, Crescent Point was able to increase its capex budget for the first time in years. The company currently expects to spend $1.45 billion this year, which should fuel 10% production growth. Further, the company can fund that capex and its current $200 million dividend outlay while living within cash flow at $52 oil.

Meanwhile, if oil prices run above that level, Crescent Point would generate excess cash flow. In fact, the company projects that it can produce $50 million in excess cash flow for every $1 per barrel crude averages above $52 for the full year. In other words, if crude averages $56 per barrel this year, Crescent Point would generate $200 million in excess cash flow, which, for perspective, is enough of a surplus so the company could double the dividend.

That said, the company's first choice for that capital would likely be to boost capex spending because it has such a vast inventory of lucrative drilling locations. However, as it becomes more confident in the sustainability of oil prices, it will likely consider increasing the dividend to reward shareholders for their patience during the downturn. That raise could come towards the end of the year when the company has a better handle on what 2018 might bring.

Investor takeaway

Crescent Point's investors have seen their income drop alongside oil prices. However, those dark days appear to be in the rear-view mirror. In fact, if crude oil prices continue rising, Crescent Point could provide patient investors with a dividend increase before the year is over.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

POST TAG

1. Editor's Choice

TICKERS GLOBAL

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

PARTNER-FEEDS

1. Msn
2. Yahoo CA

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Tags

1. Editor's Choice

Date
2025/08/15
Date Created
2017/02/06
Author
mdilallo