Crescent Point Energy Corp (TSX:CPG) Slashes Its Dividend: Is the Stock a Better Buy?

Description

Things are getting tighter in the oil and gas industry. Although the price of West Texas Intermediate (WTI) has risen recently, **Crescent Point Energy Corp** (TSX:CPG)(NYSE:CPG) still has concerns for the future. On Tuesday, the company announced its budget for 2019, which included a reduction in capital spending and a cut to its dividend.

Capital spending is going to be reduced by $500 million from the prior year, and the company's monthly dividend of $0.03 has now become a quarterly payment of $0.01 per share.

Flexibility is key in a volatile market

CEO Craig Bryksa has been in charge for less than a year and is focused on flexibility in the year ahead. In the news release, he stated that "Should oil prices fall below our budgeted WTI assumption of US$50.00/bbl, we have the ability to further revise our capital program with a continued focus on returns and operating within cash flow. If oil prices strengthen, we are well positioned to generate excess cash flow and increased value for shareholders."

Given the volatility we've seen in oil prices lately, flexibility is definitely important. By reducing spending and dividend payments, Crescent Point frees up a lot of cash. Prices of WTI have fluctuated from highs of nearly $80 to barely above $40 all within the span of a few months. As promising as things looked last year, commodity prices continue to be in disarray. And it doesn't help that OPEC has gone from removing production cuts to looking at putting them back into place.

Rapidly-changing oil prices will only add uncertainty for investors, which will make oil and gas stocks even less appealing.

Why didn't the company just eliminate the dividend entirely?

Realistically, dividend investors aren't going to be lining up to invest in Crescent Point for its dividend. With a high yield, many investors were likely looking at the stock with a high degree of skepticism regarding whether it can continue the payout for much longer. With dividend payments totaling $0.04

per year, that's a yield of less than 1% as of Monday's closing price of $4.50. Dividend investors have many more options for a higher dividend that's also much safer.

By continuing its payouts, it seems as though Crescent Point is doing all that it can to cling on to paying a dividend and satisfy requirements for investors that require one. But as an investor, I think it's a little misguided here because I'd prefer the company cut it entirely and use all the money it can to try and improve its financials. I can't imagine an investor deciding between two stocks and selecting Crescent Point because of its 0.9% payout.

Bottom line

Crescent Point has declined 60% in the past year and dividend or not, it's a big risk for investors to take on today. The stock is trading at a big discount to its book value so it certainly could be an attractive buy if you're bullish on the oil and gas industry as there could be tremendous upside for the stock if we see a strong recovery. However, that's a big if, and we've been waiting on a recovery for years now.

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