BN Crescent Point Woos U.S. Investors With Payout: Corporate Canada
Sep 11 2014 4:30:00

(For Corporate Canada news alerts: SALT CACOL)

By Rebecca Penty

Sept. 11 (Bloomberg) -- Crescent Point Energy Corp., Canada's most acquisitive energy company this year, is broadening its push for U.S. shareholders as a $1.7 billion buying spree fails to charm investors at home.

An oil discovery in Saskatchewan and four purchases set Crescent Point up for a potential dividend increase and production growth that some investors aren't recognizing, said Chief Executive Officer Scott Saxberg. After listing shares in New York, the company is boosting the number of U.S. investor meetings and seeking bank coverage south of the border.

"We've spent more time pushing on the U.S. retail and U.S. shareholder base and our goal for the next year is to focus on that," Saxberg, 46, said in a Sept. 9 interview at the company's main office in Calgary. "We're unique to U.S. investors because they don't see companies hand out a dividend."

Crescent Point is trying to reverse declining U.S. ownership of its shares as investors chase soaring output growth by shale producers from Texas to North Dakota. While its dividend yield is almost double the average for North American peers, it also isn't getting as much credit in Canada for its returns as others emulating its model, Saxberg said.

American investment in the company has slumped to 24 percent from 43 percent two years ago, data compiled by Bloomberg show.

The seventh most valuable Canadian producer, Crescent Point was among the nation's top-performing energy stocks from 2004 to 2011. This year, it's returned 7.4 percent including dividends, trailing the 19 percent gain in the Standard & Poor's/TSX Energy Index and a 40 percent increase for Calgary-based Whitecap Resources Inc., which has spent $1 billion on purchases this year.

Others Rewarded

"Canadian investors alone can't move the stock anymore," said Ryan Bushell, a portfolio manager at Leon Frazer & Associates Inc. in Toronto who owns Crescent Point shares and sees the weaker stock performance as a buying opportunity. "I look at other companies doing deals and I see how they're getting rewarded."

Saxberg, who owns an apartment in Manhattan, has expanded his number of visits to New York for marketing meetings to about eight times a year. Crescent Point's office in Denver is growing and the company is convincing U.S. banks to follow the stock, he said.

Goldman Sachs Group Inc. and Raymond James Ltd. expanded coverage to include Crescent Point this year. Goldman recommends investors buy the stock and Raymond James, currently restricted, previously recommended the equivalent of a buy since June, according to data compiled by Bloomberg. The stock has 12 buy, two hold and one sell recommendation.

Like MLPs

One of Crescent Point's challenges is explaining why it provides a dividend instead of reinvesting all its cash into producing more oil, like most U.S. rivals, Saxberg said. He likens the company's structure to that of a U.S. master limited partnership, or MLP, which producers like Los Angeles-based Breitburn Energy Partners LP have pursued to make distributions to unitholders.

The company's dividend yield, currently at about 6.5 percent, compares with 3.4 percent on average for North American oil and gas producers, data compiled by Bloomberg show. Its per-share production growth of 3.9 percent over the past year, compares with a 3.2 percent median for peers and 13 percent for Denver-based Whiting Petroleum Corp., the largest producer in the Bakken shale formation in the U.S. northern Great Plains.

Crescent Point may struggle to win over U.S. investors unless it boosts production and dividends without paying for expensive acquisitions with equity, said David Neuhauser, a hedge fund manager at Livermore Partners in Northbrook, Illinois who owns other Canadian energy stocks and U.S. MLPs including Breitburn.

'Number One'

"The worry for me is they're not acquiring these companies out of cash flow," Neuhauser said.

Investors should focus on the long-term growth Crescent Point can recoup from its properties, Saxberg said, calling its assets "No. 1 in North America." The company has never lowered its dividend and will be able to boost it if oil prices rise next year, he said.

The producer may also win more U.S. shareholders by appealing as an alternative to potentially unsustainable high-growth shale wildcatters financed by junk bonds, said John Stephenson, portfolio manager and chief executive officer at Stephenson & Co. in Toronto. Crescent Point will have to deliver higher production growth to compete, he said.

"I own the stock and I'm a little frustrated it hasn't taken off," Stephenson said. "I'm looking more for growth than I am for income right now and I think other people are too."

For Related News and Information:
Whitecap Mulls Western Canada Deals Amid Oil Industry M&A Wave
NSN N3TFDY6K50Y3 <GO>
Oil Share Sales Surge as Keystone Worry Fades: Corporate Canada
NSN N3QE796TTDSH <GO>
Oil M&A Led by Local Buyers as PE Firms Loom: Corporate Canada
NSN N1OBRM6TTDSD <GO>
Crescent Point news:CPG CN <Equity> CN <GO>
Top energy stories:ETOP <GO>

BN Crescent Point Woos U.S. Investors With Payout: Corporate Canada
Sep 11 2014 4:30:00

Top Canada news:TOPC <GO>

To contact the reporter on this story:
Rebecca Penty in Calgary at +1-587-702-3025 or
rpenty@bloomberg.net
To contact the editors responsible for this story:
Susan Warren at +1-214-954-9455 or
susanwarren@bloomberg.net
Carlos Caminada, Jacqueline Thorpe

[TAGINFO]

*CPG CN <Equity>
CPG CN <Equity>

NI OIL
NI OILSHALE
NI MNA
NI CACOL
NI EXCLUSIVE
NI CEO
NI GOWEB

-0- Sep/11/2014 08:30 GMT