# Should Investors Buy Baytex Energy Corp. or Crescent Point Energy Corp.?

## Description

**Baytex Energy Corp.** (TSX:BTE)(NYSE:BTE) and **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) are closely followed by oil sector fans, and investors are wondering if the stocks are finally safe to buy.



Let's take a look at both companies to see if one deserves a spot in your portfolio right now.

**Baytex Energy**

Baytex and its shareholders are still in shock.

Last June, pundits hailed the closing of Baytex's acquisition of Aurora Oil and Gas Limited as a game-changing event, and the company increased its dividend by 9% based on the strength of the additional production. The stock nearly hit the $50 mark and remained at lofty levels right through the summer.

Oil prices then fell off a cliff and investors watched in horror as Baytex slashed the dividend payout by 60% and the stock plunged below $15!

Management has taken prudent measures in recent months to right the ship and Baytex's stock has found some support. In fact, the shares are up more than 15% in the past two weeks and currently trade near $20.

What's different?

Baytex significantly cut the capital budget, raised $500 million through a bought-deal equity issue, and renegotiated terms with its lenders. The company still has $2.7 billion in total debt, but the majority of it isn't due for at least five years, which gives the company some breathing room as it hopes for a rebound in crude prices.

The balance sheet improvements have avoided a cash crunch and the reduced capital budget sets the company up well to weather the storm for a while at current oil prices.

Baytex pays an annualized dividend of $1.20 per share that yields about 6%. For the moment the dividend looks safe, but investors should be prepared for another cut if oil prices continue to slide.

**Crescent Point Energy**

Crescent Point remains one of the few dividend holdouts in the energy sector. The company continues to pay its monthly dividend of $0.23 per share that currently yields about 9.6% and management has said that the distribution is safe.

Crescent Point has done a great job protecting cash flow through its hedging program. In its Q4 2014 earnings report, Crescent Point said 56% of 2015 oil production is hedged at CAD$89 per barrel (bbl), and 33% of 2016 production is hedged at CAD$84/bbl.

The company has a strong balance sheet. Year-end 2014 long-term debt was just $2.85 billion. The company also has $3.6 billion in credit facilities, of which, 35% are already drawn.

**Which should you buy?**

Baytex is still carrying a lot of debt, considering it only has a market cap of $3.4 billion. The company's asset portfolio is very attractive, and Baytex could find itself as a takeout target if oil prices remain below $50 for an extended period of time.



However, betting on a buyout is risky, so you would have to invest in the stock solely on the assumption that oil prices are near a bottom.

Crescent Point has a market cap of about $13 billion and possesses a much stronger balance sheet. As the oil rout lingers, investors should expect to see Crescent Point start to make strategic acquisitions. For the moment, the big dividend looks safe, but oil prices will have to improve by 2016 to ensure that it stays that way.

At this point, any energy stock is a contrarian pick, but Crescent Point is in better financial shape than Baytex and it should be one of the survivors when the market finally recovers.

**CATEGORY**

1. Energy Stocks
2. Investing

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1. NYSE:VRN (Veren)
2. TSX:BTE (Baytex Energy Corp.)
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**Date**

2025/09/09
**Date Created**
2015/04/01
**Author**
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