



3 Reasons to Sell Crescent Point Energy Corp. and Buy Canadian Western Bank

Description

As we all know, the price of oil has plummeted over the past year. To illustrate, a barrel of oil traded for just over US\$100 this time in 2014. Today, that price sits at about US\$57.

More recently though, the news has been much better for energy producers (remember, oil briefly traded for less than US\$45 per barrel in both January and March). As a result, energy producers have seen their share prices rebound quite nicely. For example, **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) shares are up by nearly 20% in 2015.

For all we know, this could be the start of a big oil rebound. But that doesn't mean you should own Crescent Point. Instead, I would opt for another Alberta-based company: **Canadian Western Bank** ([TSX:CWB](#)). Below are three reasons why.

1. Don't expect too much

Before comparing the two companies, I have to make a very important point. We are very unlikely to see oil rebound all the way back to US\$100 any time soon. Instead, we are likely to see many years of sluggish oil prices.

The reason is quite simple. The cost to drill oil has plummeted, helping to sustain supply even at these depressed prices. In fact, numerous wells have been drilled without having been turned on. This is known as "fracklog", and should keep a lid on prices for quite some time.

That said, there is good news. Previous forecasts of US\$20 oil now look overly pessimistic; instead, prices should remain high enough for oil companies to survive (even if they won't thrive). This is very good news for Canadian Western Bank, since the company is most concerned with its borrowers' ability to repay loans.

Meanwhile, Crescent Point should survive, but won't be making much money. So its shareholders likely won't be so cheery.

2. A difference in track records

Canadian Western Bank is well-known for managing risk. Its loan loss ratios are consistently better than its rivals', and the bank suffered limited losses during the financial crisis.

In contrast, Crescent Point's history is a little shakier. It has had a big appetite for dividends and acquisitions, and has been massively diluting shareholders to pay for all this. In fact, the company's average share count increased by more than 25% over the last two years.

So if you're looking for a stock you can hold for a long time, Canadian Western Bank seems like the better option.

3. A bigger difference in price

This is the most important difference between the two companies. While Crescent Point shares have increased by nearly 20% this year, Canadian Western Bank shares are down by nearly 6%.

As a result, there's a big price difference between the two companies. Crescent Point trades at a premium even if you assume oil prices rebound, while Canadian Western trades at only 11 times earnings.

So if you're looking to bet on oil, there's certainly a lot more upside in Canadian Western.

CATEGORY

1. Energy Stocks
2. Investing

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1. NYSE:VRN (Veren)
2. TSX:CWB (Canadian Western Bank)
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