Which Stock Is a Better Buy for Dividend Investors: Cenovus Energy Inc. or Crescent Point Energy Corp.?

Description

The oil patch isn't known for big yields, but that's starting to change.

The recent plunge in crude has knocked down share prices on many blue-chip names. Investors can now find juicy yields in shares of battered stocks, many of which are still paying out decent distributions.

Cenovus Energy Inc. (TSX:CVE)(NYSE:CVE) and **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) are two of the most obvious examples. Both sport top yields. Both pay reliable dividends. And if you believe in buying wonderful businesses when Mr. Market throws a sale, low energy prices have allowed investors to buy both of these stocks on the cheap.

But for those of us with limited funds to invest, it's not easy to choose between these two firms. So today, we're tackling a pressing question: Which energy giant is a better bet for income? Let's see how these two stocks stack up on a range of measures.

1. Dividend yield: This metric is straightforward to measure. Cenovus yields a tidy 5.3%, which is one of the highest payouts in the oil patch. However, Crescent Point is paying out even more to shareholders, with a current yield of 9.8%. So, if you need income up front, Crescent Point is your best bet. *Winner: Crescent Point*

2. Dividend history: Of course, we have to dig a little deeper than that. Dividend investing isn't as easy as picking out the stocks with the highest yield. Reliability is also important. After all, we don't want to see our income suddenly dry up without warning. That said, both Cenovus and Crescent Point have long track records of rewarding shareholders, paying out dividends to investors every year since 2009. *Winner: Draw*

3. DRIP discount: Dividend reinvestment plans, or DRIPs, are an income investor's best friend. These programs allow shareholders to automatically reinvest cash dividends without paying a broker commission. Even better, DRIPs often allow enrollees to purchase their shares at a discount to the market price. In the case of Cenovus and Crescent Point, these companies allow enrolled shareholders to buy their shares at a 3% and 5% discount, respectively. *Winner: Crescent Point*

4. Dividend growth: To offset rising prices, dividend growth is just as important as the current payout itself. Unfortunately, Crescent Point has failed to hike its dividend once since the program started six years ago. Cenovus, in contrast, has managed to increase its distribution at a modest 6% compounded annual clip since 2009—more than enough to keep up with inflation. *Winner: Cenovus*

5. Earnings growth: Of course, future payout increases depend on growing earnings. Unfortunately, low energy prices will mean muted profit growth from the oil patch going forward. Based on analyst estimates compiled by *Reuters*, Cenovus and Crescent Point are expected to see their earnings fall by 18% and 32%, respectively, over the next five years. Needless to say, that means future dividend hikes are off the table for the foreseeable future. *Winner: Cenovus*

6. Valuation: But while distribution increases may be on hold, there has never been a better time to add energy stocks to your portfolio. Today Crescent Point and Cenovus trade at 9.3 times and 12.1 times forward cash flow, respectively—well below their historical average. *Winner: Crescent Point*

And the results are in…

As I said, Cenovus and Crescent Point are both excellent energy companies. You really couldn’t go wrong by adding either one of these to your portfolio. That said, Crescent Point’s bigger yield, cheaper valuation, and excellent DRIP program gives it the slight edge in my books.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. Editor's Choice

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1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:VRN (Veren)
3. TSX:CVE (Cenovus Energy Inc.)
4. TSX:VRN (Veren Inc.)

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Author
rbaillieul