



## Should You Buy Baytex Energy Corp. or Crescent Point Energy Corp. Today?

### Description

Oil stocks have staged an impressive recovery in recent months, and investors who missed the rally are wondering which names still offer strong upside potential.

Let's take a look at **Baytex Energy Corp.** ([TSX:BTE](#))(NYSE:BTE) and **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) to see if one is a better pick right now.

### Baytex

Baytex and its investors thought the future was a bright one when the company closed its \$2.8 billion deal to acquire Aurora Oil & Gas back in June 2014. The price of WTI oil sat above US\$100 per barrel, and the addition of assets in the prime Eagle Ford shale play had everyone celebrating what was supposed to be a game-changing purchase.

It certainly was, but not in the way everyone hoped.

Oil prices started to slide shortly after the deal closed, and the rout that ensued nearly wiped the company out. By January this year, the stock was below \$2 per share. When the Aurora deal closed, Baytex traded for \$48.

Management has done a good job of keeping the company afloat. Lending terms have been renegotiated with the banking syndicate, the dividend has been eliminated, and Baytex found buyers last spring for a large equity offering at a very attractive price.

Net debt stands at just under \$2 billion with none of the notes due before 2021, and the company can self-fund its operations if WTI oil remains above US\$40 per barrel.

The stock isn't out of the woods, but the rally back above \$6 per share since January shows how fast the name can move on better oil prices.

### Crescent Point

Crescent Point is another former dividend darling that has fallen on hard times, but the crash has been less painful for its investors. Before oil began its meltdown, Crescent Point traded for \$45 per share; at the low point in the rout, the stock bottomed around \$12.

The stock is currently trading near \$22 per share, so the rebound has been significant considering the company has weathered the storm much better than Baytex.

Crescent Point's balance sheet remains in good shape, and the company has reduced costs to the point where it can live within its cash flow at WTI oil prices above US\$35 per barrel.

With oil currently at US\$48, the company is looking at some decent margins, and the story gets even better if the recovery continues.

Crescent Point says it could generate \$600 million in free cash flow in 2017 if WTI oil averages US\$55 per barrel through the year. That's not much higher than the current price, so there is a good chance then situation could materialize.

### **Which stock is a better bet?**

Crescent Point is the safer way to play the oil market. If the recent gains in the price of crude are just a head fake, the company is better positioned than Baytex to ride out a pullback. If oil is destined to move higher, both stocks will see further gains.

Baytex could find itself the target of a takeover bid, and that would certainly boost the stock price, but betting on a buyout is a risky strategy. I would go with Crescent Point if you want to pick a pure-play producer.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

1. NYSE:VRN (Veren)
2. TSX:BTE (Baytex Energy Corp.)
3. TSX:VRN (Veren Inc.)

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