Is Crescent Point Energy Corp. or Encana Corporation a Better Bet Today?

Description

Investors who missed the oil rally are wondering which energy stocks still offer solid upside potential.

Let's take a look at **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) and **Encana Corporation** (TSX:ECA)(NYSE:ECA) to see if one is a better pick right now.

default watermark

Crescent Point

Crescent Point is a former dividend darling of the oil patch, but investors with an eye on the stock today tend to be in the value camp rather than yield seekers.

Before oil began its slide Crescent Point traded for about $45 per share. The ticker fell to $12 in January and has rallied back above $21 in recent months.

The sell-off is ugly but nowhere near as bad as the damage done to other names in the sector.

Crescent Point has held up better than its peers because its balance sheet remains in decent shape and management has reduced operating costs to the point where Crescent Point should be able to live within its cash flow with WTI oil prices at US$35 per barrel.

Crude prices are already back to US$50 per barrel, so the margins are starting to look pretty good, and Crescent Point says it could generate $600 million in additional free cash flow in 2017 if WTI oil can average US$55 through the year.

Encana

Encana has been in survival mode for the past two years as falling oil prices and a huge debt load threaten to bury the company in the middle of its latest transformation.

The management team has done a good job of unloading non-core assets to lower the debt burden, and operational improvements have driven the cost structure down to the point where Encana should be able to tread water with oil at US$40 per barrel or higher.

Long-term debt is still US$5.4 billion, so more work has to be done, but none of the notes are due before 2019.

Encana is focusing 95% of its capital expenditures on the company's four core assets located in the Eagle Ford, Duvernay, Permian, and Montney plays. The properties are among the best in the industry, and Encana could attract suitors if oil prices resume their downward trend.

The Q1 2016 results were ugly, but the second quarter should be better. Encana says it has the flexibility to refinance maturing debt with its existing sources of liquidity.

Which should you buy?

Both stocks will continue to rise with improving oil prices, but Crescent Point's cost structure is lower, and the stock comes with less risk in the event oil prices decide to reverse course through the back half of the year.

Encana could be interesting as a possible takeover play, but I think Crescent Point is the safer bet right now.

default watermark

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:VRN (Veren)
2. TSX:VRN (Veren Inc.)

Category

1. Dividend Stocks
2. Energy Stocks
3. Investing

Date
2025/09/04
Date Created
2016/06/02
Author
aswalker

default watermark