



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

Description

Oil stocks have picked up a new tailwind in August, and that has investors wondering which names are the most attractive picks for an extended oil recovery.

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 bet right now.

Crescent Point

Crescent Point generated Q2 2016 funds from operations of \$404 million—down 23% from the same period last year.

Lower oil and gas prices are the main reasons for the slide with Crescent Point's average revenue per barrel of oil equivalent (boe) for the quarter coming in at just \$42.45. That's about 25% below the same period last year.

On a positive note, the company is doing a good job of reducing expenses while maintaining output. Management says Crescent Point is on track to achieve daily production of 165,000 boe/d in 2016, which is slightly higher than 2015.

Full-year capital expenses for development are expected meet guidance of \$950 million. Last year Crescent Point spent \$1.56 billion on its drilling and exploration activities.

Crescent Point boasts a strong balance sheet and is taking advantage of the downturn to make strategic acquisitions. The company recently spent \$243 million on two land positions in prime resource plays where Crescent Point already has significant holdings.

One deal involves assets in the Flat Lake region. The addition of the properties will increase Crescent Point's drilling inventory in the area to 20 years.

The company's \$4.2 billion (US\$3.25 billion) in debt is manageable, and Crescent Point finished Q2 2016 with \$1.4 billion in available liquidity.

Encana

Encana made two large oil acquisitions just before the bottom fell out of the market. As a result, the company has been in survival mode for most of the past two years.

Management has done a good job of finding buyers for a number of the company's natural gas properties, and that has helped reduce the debt load, but more work needs to be done.

Encana is still carrying US\$5.69 billion in debt, which is a lot for a company with a market cap of US\$8.2 billion.

The business continues to burn through cash despite solid efforts to reduce expenses. Encana reported negative free cash flow of US\$209 million for the first six months of 2016.

Which stock is a better bet?

Both stocks will continue to rise if oil extends its rally, but Crescent Point probably offers more downside protection in the event the oil market decides to retest the January low.

The company is in better financial shape than Encana and is one of the few producers in the patch that has been able to maintain output while slashing capital expenditures.

If you are a long-term oil bull, but aren't sure where the market is headed in the near term, Crescent Point is a safer bet.

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1. NYSE:VRN (Veren)
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Date

2025/09/03

Date Created

2016/08/25

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