



## Should You Buy Baytex Energy Corp. or Crescent Point Energy Corp. to Play an Oil Rebound?

### Description

Oil stocks have given back much of their 2016 gains, and investors who missed the rally are wondering which names are the best picks for the next surge.

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 bet.

### Baytex

Baytex currently trades for \$4.80 per share. A little more than two years ago the stock was \$48. That's a nasty slide, and it shows how devastating things can get in the oil space when a company is carrying too much debt.

Baytex has worked hard to survive the oil rout. The company shelved the dividend, reduced development expenditures, raised capital, and negotiated new terms with lenders.

This has enabled the former dividend star to stay alive, but Baytex remains at the mercy of the oil market.

Net debt at the end of Q2 was \$1.94 billion. Considering the company's market capitalization is less than \$1 billion, the balance sheet is still an issue.

None of the long-term debt is due in the near term, which gives Baytex some time to hope for higher prices, but investors should focus on more pressing problems.

Baytex doesn't have the liquidity it needs to boost production. As a result, the company is cutting back its capital expenditures, and that is resulting in lower output.

The company's Q2 production came in at 70,000 barrels of oil equivalent per day (boe/d). In Q2 2015, output was more than 84,000 boe/d.

Oil prices improved in the second quarter, but Baytex cut its rig count from six to three. As a result, the company expects full-year 2016 output to be 68,000-72,000 boe/d.

Baytex is living within its cash flow, but with limited financial flexibility to help it ride out the slump, the company needs better prices to materialize.

### **Crescent Point**

Crescent Point is in much better financial shape, and investors are still eager to get a piece of the action. In fact, the company just closed a bought-deal share issue for net proceeds of \$650 million.

Management plans to use most of the funds to finance a ramp-up in drilling. Crescent Point will allocate \$150 million to the Q4 budget and boost 2017 capital outlays by \$450 million. The result will be production growth of 5-8% next year. Crescent Point has also raised its 2016 production guidance from 165,000 boe/d to 167,000 boe/d.

### **Which should you buy?**

Investors have to be oil bulls to buy any of the producers today. If you are in that camp, Crescent Point is the more attractive pick. The company has the means to ride out a prolonged slump and pick up distressed assets along the way.

Baytex is barely keeping its head above water, and production is falling at a concerning rate. If oil takes another nosedive, this stock could be in serious trouble.

### **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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