Contrarian Investors: Crescent Point Energy Corp. vs. Cenovus Energy Inc.

Description

Contrarian investors are looking at the beaten-up oil sector and wondering where there might be an opportunity to find a good deal.

Let's take a look at **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) and **Cenovus Energy Inc.** (TSX:CVE)(NYSE:CVE) to see if one deserves to be in your portfolio.

Crescent Point

Crescent Point used to be the dividend darling of the Canadian oil patch, but the extended downturn in the energy sector forced management to trim the monthly payout from $0.23 per share to $0.10 and then again to the current level of $0.03.

The stock has also taken a hit, falling from above $45 per share in the summer of 2014 to the current level below $15.

Some pundits say the pullback is overdone, and there might be merit to that line of thinking.

Why?

Oil prices have improved considerably since early 2016, but Crescent Point's stock hasn't kept pace. In fact, a year ago the shares were about $20 at a time when WTI oil traded for about US$5 per barrel below the current price.

A large equity issue last fall has had a bit of an impact, but it shouldn't be this dramatic.

In addition, Crescent Point expects to end 2017 with at least 10% production growth compared to last year.

As for the dividend, the payout should be safe if current oil prices hold up through the end of the year. The stock yields about 2.5%.

Cenovus

Cenovus recently announced a $17.7 billion deal to buy oil sands and natural gas assets from **ConocoPhillips** (NYSE:COP).

The deal gives Cenovus 100% control of the oil sands assets it currently owns in a joint venture with Conoco and makes the company Canada's third-largest oil sands player.

Cenovus sold off on the news as investors are concerned the company's debt rating could be at risk if it doesn't get enough for planned non-core assets sales.

How badly did it drop?

Cenovus was above $21 per share in December. Today, investors can pick it up for about $14.50.

Overall, the deal provides Cenovus with a strong resource base in the Deep Basin plays, giving the company a significant gas presence to go with the existing oil sands and refining operations.

Cenovus pays a quarterly dividend of $0.05 per share for a yield of 1.4%.

Is one more attractive?

Both stocks offer solid upside potential on a recovery in oil prices, so you have to decide which story is most appealing.

Cenovus offers strong exposure to the oil sands as well as an integrated business structure through the refining operations. It is also nearly double the size of Crescent Point on a market cap basis.

Crescent Point has a great asset base with a focus on light and medium oil and natural gas, and it offers a better yield while you wait for things to turn around.

I would have picked Crescent Point before the recent Cenovus sell-off, but it's probably a coin toss right now between the two names.

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