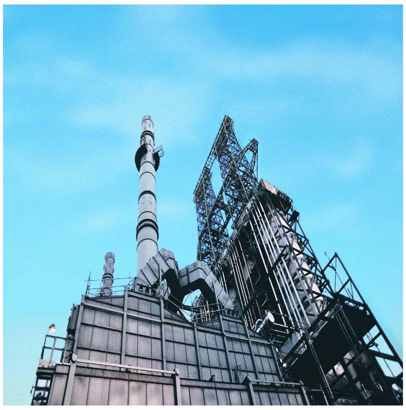

Which Is the Better Buy: Baytex Energy Corp. or Crescent Point Energy Corp.?

Description

Crescent Point Energy Corp.'s (TSX:CPG)(NYSE:CPG) share price has taken a beating in the last 12 months, losing more than 54% of its value. This calendar year alone has seen the stock price plunge by over 49%. As awful as the performance has been, it hasn't been uncommon for oil and gas producers. The path of Crescent Point's stock has been almost a mirror image of how **Cenovus Energy Inc.** has seen its share perform.

In four of the last five quarters, Crescent Point has seen net losses; however, in the most recent quarter, the company was able to turn a profit of $119 million and saw year-over-year revenues rise by almost 60%. However, like many oil and gas companies these days, Crescent Point has been involved in a lot of hedging, and most of those profits from Q1 would have been wiped out without the aid of hedging gains (which were just under $100 million). Last year's quarter had a hedging loss of over $86 million, which would have turned this quarter's profit into a loss.

Profits are necessary in the long term, but in the short-term liquidity is crucial. The company's interest payments of $38 million the past quarter appear to be manageable if the company can continue to produce strong results. Crescent Point's balance sheet also seems to be in good position to handle any cash flow issues with its debt-to-equity ratio at only 0.43, although the current ratio of 0.88 could be a bit better.

Currently, the stock is trading at over $9 and has recently seen some stability and perhaps a floor at this level. At a book value of $17.75, the company is trading at almost half of that. The stock is a definite bargain if the company can turn things around and string together some good quarters. Also, because of its depressed share price, the company's dividend yield is now almost 4%.

Baytex Energy Corp. (TSX:BTE)(NYSE:BTE) has seen even more significant losses with its stock price dropping over 53% this year and 55% in the past 12 months. However, Baytex has had a bit of a recovery with the past month yielding a return of over 4%.

The company has seen its net income in the red for three of the past four quarters. In its most recent quarter, the company was able to squeak out a profit of $11 million. Not surprisingly, this profit was helped by the company's derivatives, which provided gains of $35 million. However, revenues rose year over year by almost 70% up to $260 million.

The company's $11 million profit was a good start, but it still does not even cover its interest expenses of $28 million in Q1. With a debit-to-equity ratio of 0.91, Baytex is carrying a fair amount of debt, putting it in a difficult situation if the company is unable to consistently post profits. However, the company's current ratio of 0.87 is comparable to Crescent Point's.

These companies have a lot of similarities, but Crescent Point would be my choice to invest in for a number of reasons. First, the company has more operations in the U.S. and Canada, and so it is less exposed to certain geographic areas. Second, the company has shown that its interest payments are more manageable with respect to net income levels. Third, its lower debt levels will be less of a hindrance on its operations if oil prices do not improve. Lastly, Crescent Point offers a decent dividend at this price, which creates a bit of a safety net should the share price decline further.

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