Contrarian Investors: Should Crescent Point Energy Corp. or Cenovus Energy Inc. Be in Your Portfolio?

Description

Contrarian investors are looking at the energy sector's beaten-up names and wondering which ones might offer a shot at some big gains.

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 a dividend darling in the Canadian oil patch, but the extent of the oil rout forced management to cut the monthly distribution from $0.23 to $0.10 and then again to the current payout of just $0.03 per share.

At the current price, Crescent Point provides a yield of 4%.

Most income investors are long gone, but value seekers might want to start kicking the tires now that the stock is down to $9 per share.

Why?

Crescent Point owns attractive assets and is growing production, despite the ongoing difficulties in the market. In fact, 2017 exit output is expected to be 10% higher than that of last year.

If oil prices can muster a recovery in the coming months and through 2018, Crescent Point's dividend might survive, and investors who buy today could potentially lock in a 4% yield with a shot at some nice capital gains.

Cenovus

Cenovus decided to swing for the fence earlier this year when it agreed to buy out its 50% partner **ConocoPhillips** at its oil sands operations.

On the surface, the deal makes sense. Cenovus knows the assets, is already operating the facilities, and instantly doubles its resource base without having to invest in new locations that might turn up some nasty surprises.

Unfortunately, investors aren’t happy about the deal because it saddles the company with debt, and the market isn’t confident that Cenovus will generate enough funds through assets sales to help pay for the purchase.

Things have gotten so bad that the CEO has decided to step down, and no successor is in place at a very critical point in the company’s history.

As with Crescent Point, Cenovus has a great resource base, and a rebound in oil prices would boost margins, help the company get better prices for its non-core assets, and likely send the stock soaring.

Is one more attractive?

At this point, you have to be an oil bull to put money into any of the producers. If you don’t fall in that camp, it would be best to search for other opportunities, no matter how cheap the oil stocks appear to be today.

However, for contrarian types who think an oil rally is on the horizon, I would probably make Crescent Point the first choice. The company likely offers more upside torque on a rebound, and I wouldn’t be surprised to see a takeover attempt if the current market situation persists for much longer.

Cenovus is in a precarious situation right now, and if the asset sales don’t go well, the stock could see additional downward pressure.

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