Crescent Point Energy Corp. vs. Suncor Energy Inc.: Which Stock Is More Attractive Today?

Description

Contrarian investors are looking at the troubled energy sector and wondering which stocks offer a shot at some nice gains when the industry finally recovers.

Let's take a look at **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) to see if one is attractive right now.

Safety

Suncor's diversified business model is a big reason why the oil giant has navigated through the oil rout in pretty good shape. The company is primarily known as an oil sands player, but it also owns four refineries and more than 1,500 Petro-Canada service stations.

The downstream operations provide a nice hedge against low oil prices and balance out the revenue stream.

Suncor's stock currently trades at $39 per share, which is only about 15% lower than where it traded when oil was US$100 per barrel.

Crescent Point is more of a pure-play bet on oil and gas prices. As a result, the stock has taken a much bigger hit over the past three years.

At the time of writing, investors can pick up a share of Crescent Point for $8.40. That's a long way off the $45 investors paid in August 2014.

Dividends

Suncor has continued to increase its dividend through the downturn. In fact, the quarterly distribution is up from $0.23 per share in June 2014 to the current payout of $0.32. That's good for a yield of 3.3%.

Crescent Point's shareholders haven't been so fortunate. The former dividend star of the oil patch had to reduce its monthly payout to preserve cash, and the $0.23 per share monthly distribution that investors enjoyed until late 2015 is now down to $0.03 per share.

At the current stock price, the dividend yields 4.3%.

Growth opportunities

Suncor's rock-solid balance sheet and steady stock price gives it significant firepower to make strategic acquisitions, as we have seen in the past couple of years with the takeover of Canadian Oil Sands and a series of other tuck-in deals.

Crescent Point's balance sheet remains in decent shape, but the big drop in the company's market cap means it has limited options to buy troubled competitors right now beyond smaller deals.

Which one should you buy?

The decision should be based on your appetite for risk and your outlook on oil prices.

Suncor is the safer way to go if you think oil prices will remain under pressure for some time. Investors who buy today can simply sit back and pick up a nice yield while they wait for better days.

Crescent Point probably offers better upside torque on a rebound in oil prices.

If you are convinced the market is on the cusp of a recovery and can handle the downside risk in the event you are wrong, it might be worthwhile to take a small contrarian position in the stock.

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