



Crescent Point Energy Corp. or Baytex Energy Corp.: Which One is Worth A Shot Today?

Description

Contrarian investors with a stomach for volatility are looking at Canada's beaten-up energy stocks and wondering which names might offer strong upside potential on an improvement in oil prices.

Let's take a look at **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) and **Baytex Energy Corp.** ([TSX:BTE](#)) (NYSE:BTE) to see if one might be attractive.

Crescent Point

Crescent Point was a \$45 stock when oil traded at US\$100 per barrel in 2014. Today investors can pick up a share for about \$8.30.

In addition, the former monthly dividend of \$0.23 per share is now down to \$0.03, which now provides a yield of 4.3%.

Dividend investors have mostly moved on, but value players might be getting interested at the current level.

Why?

Crescent Point is targeting exit production growth per share of about 10% by year-end 2017, despite the difficult price environment for oil.

The company's balance sheet remains in decent shape, and Crescent Point had \$1.5 billion in available unused credit facilities at the end of the second quarter. Further declines in the stock price will start to make investors increasingly nervous, but the company remains well within its lending covenants.

Crescent Point owns an attractive asset portfolio with significant drilling opportunities. If oil prices begin to recover, the stock should see a strong rally.

Baytex

Baytex has fallen even harder than Crescent Point. The stock traded for \$48 per share three years ago and also paid a very lucrative monthly dividend.

Today, the dividend is gone and investors are picking up the shares for close to \$3 each.

Baytex got caught with too much debt as oil tumbled, and while management has done a good job of reducing costs and renegotiating terms with lenders, the debt load remains a burden on the company.

Baytex needs oil prices to recover to drive cash flow high enough to pay off the obligations and boost capital spending.

Production is growing in 2017, which is a positive sign in the current market, but the stock remains very volatile, as investors react to daily news about oil supplies and production reports.

Is one attractive?

You have to be an oil bull to own any producer today. If you are in that camp and think oil is going to recover in the near term, both stock offer some attractive upside potential.

At this point, Crescent Point's balance sheet is in better shape, so it is probably the safer bet.

Baytex might become a takeover target if low oil prices persist, but I wouldn't buy the stock hoping for a big premium on a buyout.

CATEGORY

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2. Energy Stocks
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2. TSX:BTE (Baytex Energy Corp.)
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