Suncor Energy Inc. vs. Crescent Point Energy Corp.: Here's the Better Buy Today

Description

Foreign and domestic investors have been ridiculously bearish on the Albertan oil patch of late. There are many uncertainties involved with investing in oil producers right now, but it's quite possible that some concerns have been overblown at this point. At the time of writing, oil prices have broken the $50 levels, and many oil producers have started to jump back into the green.

If you're bullish on oil or you're a long-term contrarian, then you're probably contemplating buying a safe producer with a safe dividend, such as **Suncor Energy Inc.** (TSX:SU)(NYSE:SU), or a risky, beaten-up name like **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG), which may enjoy greater upside in the event of a rebound in energy stocks.

Let's take a look at each company to see which one is better suited for your portfolio.

Suncor Energy Inc.

Suncor is arguably one of the best-run businesses in the oil patch. During the trough of the oil collapse, the company was in decent financial shape, while many of its peers were on their knees. As many oil producers were slashing their dividends left and right, Suncor kept its dividend intact and made a couple of bargain acquisitions that will probably pay off big time once oil prices head north of $60 levels.

Recently, the company released an underwhelming quarter; however, growth guidance (Fort Hills and Hebron projects) are still on track.

Suncor remains a relatively safe bet for investors looking to gain exposure to Canada's struggling energy industry. The management team is top notch, and it's expected that the company will outperform many peers if low oil prices are here to stay for the long term.

For the safety, you'll be paying a hefty premium versus the industry average, and it's likely that you'll enjoy fewer capital gains if oil prices suddenly take off.

Crescent Point Energy Corp.

If you're a more aggressive investor, then Crescent Point may be the stock you're looking for. Unlike Suncor, Crescent Point has been a falling knife for over three years, and up to now, many knife catchers have gotten seriously hurt, as shares plunged over ~80% from peak to trough.

The company came off a promising Q2 2017, which saw a slight bump in production guidance. The management team has been making improvements across the board, and there are reasons to believe that Crescent Point could be the energy stock with the most potential upside. Some analysts have extremely bullish price targets which imply 12-month upside of over 80%.

Shares of Crescent Point have rallied ~16% in September, but don't let this near-term rally trick you into thinking that a bottom has formed. If you want huge potential long-term rewards, you're going to need to take a huge amount of risk. It's likely that double-digit losses could still be on the horizon, so if you're thinking about jumping into Crescent Point, you may wish to do so incrementally over the next few months.

Bottom line

Crescent Point is ridiculously cheap and has more upside than Suncor. But you'll be taking way more risk with Crescent Point, and if oil prices start to slip again, it will get hit much harder than Suncor.

Take a look at the stock chart of Crescent Point. It almost looks like it's a bottomless pit!

If you've got the stomach, then Crescent Point is probably the better bet, but only if you're going to hold on to shares for many years and don't dump them after shares plunge into the single digits. If you can't stomach such near-term losses, then Suncor is a prudent, but pricier choice.

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joefrenette