Baytex Energy Corp. or Crescent Point Energy Corp.: Which Stock Could Double?

Description

Higher oil prices are sparking new interest in the energy sector, and investors are wondering which stocks have the potential to deliver big gains.

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

Baytex

Baytex traded for $48 in the summer of 2014 and paid an annualized dividend of $2.88 per share. At the time of writing, investors can pick up the stock for about $3.75. As for the dividend, it's long gone.

The plunge in oil prices hit the sector hard, but Baytex has suffered more than some of its peers.

Why?

The company made a large acquisition right at the top of the market, and that deal saddled Baytex with cumbersome debt.

Management has done a good job of keeping the company alive through the downturn. Baytex cut the dividend early, renegotiated terms with lenders, and raised capital at an opportune time.

As a result, Baytex has avoided major assets sales, and that's where contrarian investors see potential. In fact, Baytex has calculated its net asset value to be about $9 per share, after a 10% discount.

If you think the company's estimates are correct, this stock could move significantly higher as oil prices recover, and a move back to $8 is possible.

Crescent Point

Crescent Point has also taken a beating in the past three years.

It traded above $40 before the plunge and paid out a monthly dividend of $0.23 per share. As prices fell, Crescent Point had to pare back the dividend payments. The first cut took it to $0.10, and the second reduction brought the distribution down to $0.03 per share, where it currently stands.

That’s good for a yield of 3.5% at the current stock price.

Crescent Point’s balance sheet remains in good shape, and the company is targeting 2017 exit production growth of about 10% per share.

The stock has already bounced from $8 to above $10 per share in recent weeks, but more gains could be on the way if WTI oil can hold or extend its move back above US$50 per barrel.

Is one a better bet?

Baytex probably has more upside torque, but it is also a riskier bet in the event the recent oil rally falls apart.

Crescent Point is a popular pick in the sector. The company owns attractive reserves and has a strong track record of successful drilling and development. A double from the current price would likely require a big move in oil, but it is certainly possible.

If you can handle the added volatility, Baytex might be the more attractive contrarian pick today. Investors who prefer a safer bet but still want a shot at some strong upside might want to make Crescent Point the first choice.

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