Should Cenovus Energy Inc. or Crescent Point Energy Corp. Be on Your Buy List?

Description

Cenovus Energy Inc. (TSX:CVE)(NYSE:CVE) and **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) are starting to show signs of a possible recovery.

Let's take a look at the two beaten-up oil producers to see if one is attractive today.

Cenovus

Cenovus spent $17.7 billion earlier this year to buy out its 50% oil sands partner, **ConocoPhillips.**

At first glance, the deal should make sense. Cenovus instantly doubled its production and resource base on assets it already operates and knows very well. In addition, Cenovus picked up important properties in the Deep Basin plays in Alberta and British Columbia.

The market, however, reacted negatively to the deal, and Cenovus saw its share price drop as low as $9 in June. The company traded for more than $20 at the start of the year.

What happened?

Cenovus took on a large bridge loan to cover part of the deal while it looks for buyers of non-core assets. Traders were not confident the company could get the $4-5 billion it was targeting, given the weak market conditions.

Fortunately, Cenovus is finding interest in its properties, and a string of deals has investors moving back into the stock.

The company has announced three sales so far for a total of about $2.8 billion. More work has to be done, but Cenovus appears to be on track and says it remains confident it will announce additional deals by the end of 2017.

The ticker is back above $12 per share. If Cenovus gets the prices it wants for its remaining assets sales, investors could see the stock continue to rally into 2018.

Crescent Point

Crescent Point used to be a dividend darling in the Canadian energy patch, but the drawn-out downturn in oil prices forced the company to slash the monthly payout from $0.23 to the current distribution of $0.03 per share.

At the time of writing, that’s good for a yield of 3.8%.

Income investors might be hesitant to buy right now, but value seekers are starting to kick the tires.

Why?

Crescent Point owns great properties, is increasing production, and plans to reduce debt with proceeds from non-core asset sales.

That’s good news, as net debt is a bit high at $4.1 billion, although the company remains well within its lending covenants.

Third-quarter 2017 production rose 10% over the same period last year, and Crescent Point just bumped up its full-year 2017 average output guidance.

If oil prices continue to recover, Crescent Point should be able to maintain the current dividend and make progress on its debt-reduction efforts.

Is one attractive?

You have to be an oil bull to own any producers these days. If you fall in that camp, both Cenovus and Crescent Point should do well on a continued recovery in the oil market.

At this point, I would probably call it a coin toss between the two stocks.

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