Should You Buy Cenovus Energy Inc. or Crescent Point Energy Corp. Today?

Description

Oil continues to move higher, and investors are wondering which stocks might offer some big upside potential in 2018.

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

Cenovus

Cenovus had a rough time in 2017. The stock started last year near $20 and bottomed out below $10 per share last summer.

Falling oil prices through the first half of the year contributed to part of the drop, but Cenovus also took a hit after it made a major acquisition.

What happened?

The company bought out its oil sands partner, **ConocoPhillips**, for $17.7 billion. The deal appeared to make sense, as Cenovus already operated the assets and instantly doubled its production and oil sands reserves.

Cenovus also picked up some attractive properties in the Deep Basin plays located in Alberta and British Columbia.

The market, however, frowned upon the deal and hammered the stock. Investors didn't like the fact that Cenovus had taken on a $3.6 billion bridge loan to help cover the purchase price while it shopped non-core assets.

As it turns out, WTI oil rallied off its June low of US$43 per barrel, and Cenovus found buyers for several of its legacy assets. The sales are enough to cover the bridge loan, and Cenovus is focusing on driving more efficiency into the business.

At the time of writing, the stock only trades at $13 per share, even though WTI oil is back above US$63 per barrel. A year ago, Cenovus sold for $19.50, and WTI oil was about US$51, so it might still be oversold.

Crescent Point

Crescent Point was a $45 stock back in 2014 when WTI oil traded for US$100 per barrel. Today, investors can pick it up for less than $11 per share.

As with Cenovus, there could be more upside on the way, especially if oil holds or extend its gains. A year ago, Crescent Point traded for $17.

The company just reported a 10% increase in production for year-end 2017 compared to 2016. Management is targeting an additional 7% gain in 2018. Rising oil prices could boost cash flow enough to support increases to the capital plan and help maintain the existing dividend, which provides a yield of 3.3%.

Crescent Point's debt has been a concern for some investors, but the company remains well within its lending covenants and is selling some non-core assets to shore up the balance sheet. The improved conditions in the market should help the company get better prices for the properties.

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Is one more attractive?

Pundits have mixed opinions about the sustainability of the oil rally, so investors should take a cautious approach. However, if you are an oil bull, both stocks could certainly deliver some strong additional gains, even after the recent recoveries off the 2017 lows.

As a contrarian bet, I would probably split a new investment between the two names today.

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Date
2025/07/01
Date Created
2018/01/11
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