Which Energy Stock Do You Like?

Description

Oil prices continue their ascent. As of writing, the WTI oil price sits at US$64 and change per barrel.

Energy stocks are cheering for the higher oil prices. The stocks of **Cenovus Energy Inc.** (TSX:CVE)(NYSE:CVE) and **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) have recovered +40% and +30%, respectively, from their recent lows.

How much upside is there for these stocks?

Cenovus Energy

Cenovus Energy is an integrated oil company. It develops, produces, and markets crude oil, natural gas, and natural gas liquids in Canada.

As of the last reported quarter, Cenovus Energy had net debt of $11.46 billion with a recent weighted average interest rate of 4.7% on its outstanding debt. This is a lower rate compared to the +5% it had in 2016.

The company generated $592 million of operating cash flow in the three-month period.

Cenovus Energy's financial leverage, measured by debt to cash flow, is roughly 4.8. So, the company is more leveraged than the Canadian average of about 2.4 times. However, it should be able to deleverage quickly with higher oil prices. It could take another year before the company might consider restoring a part of its slashed dividend.

Although Cenovus Energy stock has bounced strongly from a low, the stock still trades at a 20% discount from its book value.

The analyst consensus from **Thomson Reuters** has a 12-month target of $14.70 on the stock, which represents upside potential of 13.5%, or a near-term total return of 15% (after adding the dividend) based on the recent quotation of under $13 per share.

Crescent Point Energy

Crescent Point Energy is an oil-weighted producer (about 90% crude oil and natural gas liquids and 10% natural gas). As of the last reported quarter, the company had net debt of $4.14 billion, and it generated operating cash flow of $437 million in the quarter.

Crescent Point Energy's financial leverage, measured by debt to adjusted funds from operations, is roughly 2.5. So, the company is in line with the Canadian average of about 2.4 times.

Although Crescent Point Energy stock has bounced strongly from a low, the stock still trades at a 37% discount from its book value.

The Scotia Capital analyst has a 12-month target of $16 on the stock, which represents upside potential of 48%, or a near-term total return of 51% (after adding the 3% dividend yield) based on the recent quotation of $10.80 per share.

Investor takeaway

The stocks of both companies are trading closer to their 52-week lows than their 52-week highs. With higher oil prices, we might just see these stocks trading much higher in the year.

Buyers today shouldn't be surprised to get a double-digit near-term return from the stocks. However, investors should be ready for a bumpy ride. Conservative investors should ask these three quick questions to find safer investments.

CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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1. Editor's Choice

TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)
2. NYSE:VRN (Veren)
3. TSX:CVE (Cenovus Energy Inc.)
4. TSX:VRN (Veren Inc.)

PARTNER-FEEDS

1. Msn
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