Is This the Right Time to Buy Crescent Point Energy Corp. or Baytex Energy Corp.?

Description

Contrarian investors are searching for beaten-up stocks that could be poised for a recovery.

The oil sector is full of such names, and two former dividend darlings often come up when the discussion turns to oil producers.

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Let’s take a look at **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) and **Baytex Energy Corp.** (TSX:BTE)(NYSE:BTE) to see if they deserve to be on your buy list today.

Crescent Point

Crescent Point once traded for more than $45 per share and paid a dividend of $0.23 each month. Today, investors can pick up the stock for less than $10, and the dividend is down to $0.03 per share.

To say the oil rout has been difficult on the company is an understatement, but Crescent Point is actually in better shape than some of its peers.

The company’s debt level is high, but Crescent Point remains well within its lending covenants. In addition, management has increased the capital plan and generated a 10% year-over-year increase in production on a per-share basis as of the end of 2017.

Exit production growth for 2018 is targeted at 7%, so the positive momentum appears on track to continue.

The existing dividend should be safe and provides a yield of 3.9% at the current stock price of $9.20 per share.

Baytex

Baytex was a $48 stock at the oil peak in 2014 and also paid out a lucrative dividend. Today the dividend is long gone, and investors can pick up the beleaguered producer for $3.30 per share.

Despite the scary stock chart, management has done a good job of keeping the company alive through the downturn. Baytex slashed the payout early and renegotiated terms with lenders. The company also raised capital through a timely share sale when oil briefly rebounded in 2015.

As a result, Baytex has avoided a fire sale of its best assets, and that's why some pundits are positive on the stock.

In fact, Baytex has estimated its net asset value to be above $9 per share at oil prices that are much lower than the current level.

Debt remains an issue and the balance sheet uncertainty is a big reason the stock continues to be volatile, especially as interest rates rise.

Is one attractive today?

Both companies should deliver strong returns if oil prices resume their upward trend. Crescent Point is probably the safer bet, while Baytex likely offers more upside torque on an oil surge.

If you are bullish on oil and have a contrarian investing style, the choice really depends on your appetite for volatility and whether or not you think Crescent Point's dividend is safe.

If you are not big on oil, there are other opportunities in the Canadian market today.

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