

Is it Time to Buy TransCanada Corporation or Crescent Point Energy Corp.?

Description

A rebound in the [energy](#) sector has investors wondering which names might be attractive picks for the rest of 2018 and beyond.

Let's take a look at **TransCanada Corporation** ([TSX:TRP](#))([NYSE:TRP](#)) and **Crescent Point Energy Corp.** (TSX:CPG)(NYSE:CPG) to see if one is more attractive today.

TransCanada

TransCanada reported strong results for Q1 2018. Earnings came in at \$870 million, or \$0.98 per share, compared to \$698 million, or \$0.81 per share, for the same period the previous year.

Contributions from \$7 billion in new projects more than offset the loss of revenue from the sale of the company's Northeast Power assets in the United States.

Going forward, TransCanada is working through \$21 billion in near-term commercially secured developments that should boost revenue and cash flow enough to support annual dividend increases of at least 8% through 2021.

In addition, the company has \$20 billion in longer-term projects under consideration, including Keystone XL, the Bruce Power Life extension program, and Coastal GasLink. A green light for any of these developments could trigger an upward revision to the dividend-growth guidance.

TransCanada currently pays a quarterly dividend of \$0.69 per share for an annualized [yield](#) of 5%.

The stock has bounced from \$51 to \$55 per share in the past month but is still down from \$64, where it was at this time last year.

Crescent Point

Crescent Point was a \$45 stock and paid a monthly dividend of \$0.23 per share back in 2014, when oil traded for US\$100 per barrel. Unfortunately, the downturn lasted longer than most people expected, and Crescent Point was forced to trim the payout to \$0.10 and then again to \$0.03, where it currently stands.

The stock hasn't fared much better. At the time of writing, Crescent Point can be picked up for \$10 per share, which isn't too far off the 12-month low of \$8.

Crescent Point fans are surprised the stock isn't trading at a higher level, especially given the rebound in WTI oil from US\$42 last summer to recent highs above US\$70 per barrel. The company has an attractive asset base and, despite recent distractions from a battle with an activist investor, is posting some improved numbers.

Crescent Point says it remains on track to hit 2018 exit production growth of at least 7% and says it can cover the existing dividend and its capital expenditures with funds from operations. Management recently sold \$225 million in non-core assets and intends to use the funds to reduce debt.

Is one a better bet?

Contrarian investors with a bullish view on oil and a stomach for volatility might want to take a small position in Crescent Point while the company remains out of favour. Otherwise, I would probably make TransCanada the first choice today, given the strong dividend-growth outlook.

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