# Should You Buy Crescent Point Energy Corp (TSX:CPG) or Baytex Energy Corp. (TSX:BTE) Stock Today?

## Description

A few years ago, **Crescent Point Energy** (TSX:CPG)(NYSE:CPG) and **Baytex Energy** (TSX:BTE )(NYSE:BTE) enjoyed widespread popularity as top picks in the oil sector among income investors.



Today, the story is very different, and while WTI oil prices have recovered from the lows of the oil rout, both Crescent Point and Baytex continue to trade at or near multi-year lows.

Let's take a look at the two companies to see if one might be an interesting contrarian pick.

**Crescent Point**

Crescent Point trades for $6.15 per share. That's pretty much the lowest price in the history of the company. Investors who rode the stock up from its humble beginnings to the glory days are probably looking at the current situation in total disbelief. Crescent Point traded for more than $45 per share in 2014 and paid out a monthly dividend of $0.23. Today, the monthly dividend is $0.03. That's good for a yield of close to 6%.

Crescent Point has substantial light-oil holdings in Saskatchewan that might be attractive to a larger player looking to add resources at a reasonable price. The current price puts the market capitalization at roughly $3.4 billion and Crescent Point finished Q2 with net debt of $4 billion. The deal would still be hefty at close to $7.5 billion, but a few names in the sector have the balance sheets to pull it off.

The new management team is working hard to reduce debt and streamline the operations, but they might be open to entertaining an offer if it doesn't look like things can be turned around.

**Baytex**

Baytex has fallen even further than Crescent Point. The company traded for more than $48 per share in the summer of 2014 and paid out a monthly dividend of $0.24. A year later, the dividend was gone and management was scrambling to keep the company alive.

Today, despite an improved balance sheet after the merger with Raging River Exploration this year, Baytex remains under pressure. Debt is still high and that is showing up in the stock price. At the time of writing, the shares are trading at $2.70.

The Eagle Ford assets the company bought in a major transaction at the top of the market are getting good WTI prices for their production, but a large part of the Canadian output is sold at Western Canadian Select pricing, which is in the tank right now due to pipeline bottlenecks.

As with Crescent Point, Baytex might become a takeover target.

**Is one a better bet right now?**

Betting on a big premium on a takeover might not be the best strategy for either of these stocks. If one gets bought, it will likely be close to the trading price.

Regarding a recovery, debt remains a problem and that will only get worse as borrowing costs increase. Neither company has the ability to issue significant shares to pay down debt and revenue would have to ramp up significantly to generate enough cash flow to make a meaningful dent in the debt positions.

At this point, I would look for other opportunities.



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aswalker