3 Reasons Why Cenovus Energy Inc (TSX:CVE) Is a Better Investment Than Crescent Point Energy Corp (TSX:CPG) Right Now

Description

Crescent Point Energy (TSX:CPG)(NYSE:CPG) and **Cenovus Energy** (TSX:CVE)(NYSE:CVE) have a lot in common.

Both are key players in Canada's energy markets and both happen to be roughly the same size — what would be considered by most to be "mid-cap" stocks.

Crescent Point has a market capitalization of about $3.8 billion, while Cenovus is a bit larger, with a market capitalization a little over $13 billion; however, both remain well below the size of some of the larger oil sands operators like **Suncor**, **Canadian Natural Resource**, and **Imperial Oil**.

But the other thing both companies have in common is that shares have sold off sharply since oil prices collapsed back in 2014.

Both CPG stock and CVE stock have traded at 10-year lows within the past 24 months.

If you happen to hold a bullish view on oil and gas prices, you would probably also hold the view that both companies offer solid, long-term contrarian investments.

But here's why if I had a choice, I'd pick Cenovus stock over Crescent Point stock today.

Cenovus has exercised more prudence in managing its balance sheet

Cenovus stock only pays shareholders an annual dividend yield of 1.76%, while Crescent Point's dividend yield sat at 5.05% heading into Friday's trading (more on that below).

But one of the major differences between the two companies today is that Cenovus has taken a conservative approach to managing its balance sheet over the past couple of years, while Crescent Point has been playing it more aggressive and now finds itself in something of a precarious situation.

Cenovus has taking the prudent approach to pay down more than $3 billion in debt since the summer of 2017; meanwhile, Crescent Point has been actively raising additional capital from the markets in order to stave off production declines that would have ended up disappointing shareholders.

Crescent Point may be forced to cut its dividend for a third time since 2014

But while those decisions may have been enough to keep some of its shareholders happy over the short term, if oil prices were to experience a prolonged setback, CPG may be forced to cut its dividend for a third time since 2014.

Meanwhile, there's no doubt that a sizable percentage of Crescent Point's shareholders are in the stock right now if for no other reason than its +5% dividend.

If it gets cut — or even suspended altogether — that could have the bears chasing the bulls back down the hill.

Crescent Point is more exposed to the risk of lower oil prices

Lately, there has been more talk about higher rather than lower oil prices; however, keep in mind that the best chance the Trump administration has of being re-elected in 2020 is if the economy continues to improve.

Higher energy prices would only have the opposite effect, and many would go as far as to suggest that higher energy prices have, in fact, acted as the key catalyst that has sent the U.S. economy into its last two recessionary periods.

Cenvous, meanwhile, is more insulated from oil and gas prices, in that as an integrated energy producer, it gets the benefit of buying discounted Canadian crude as a cheap input for its refining operations.

Bottom line

Both are fine long-term investments, particularly when you consider that the majority of Crescent Point's assets aren't even in production right now.

But if you were going to put a gun to my head, I'd be putting my money in Cenovus stock rather than Crescent Point stock today.

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