



## Will These 3 Top Oil Stocks Survive 2020?

### Description

The year 2020 will likely go down as a year many top oil stocks would like to forget.

It's been nothing but pain for the sector over the first four months of the year as the COVID-19 shutdown demolished demand for the commodity. Millions of commuters either got laid off or stayed at home. Oil's other big use, manufacturing, also took a big hit. Unlike regional recessions, this big demand shock hit nearly everywhere in the world.

The tricky part of the sector is that it's really difficult for investors to determine what oil stocks will do next. The commodity appears to move at random sometimes. Many folks have been predicting a return to the \$60 to \$80 per barrel range for years now, but it just hasn't materialized.

Let's take a closer look at three top Canadian oil stocks and see if they can survive this [latest turmoil](#).

### Baytex Energy

Many investors have put cash into oil stocks like **Baytex Energy** ([TSX:BTE](#))(NYSE:BTE) over the last few years, enticed by its low cost production in Texas, solid management team, and, of course, it's dirt cheap share price.

Now that the commodity has collapsed, so too has Baytex's share price. After hitting a high of more than \$2 each on the **Toronto Stock Exchange** in early January, shares are all the way down to \$0.47 each.

One issue that has kept Baytex down is its debt — a liability that has persistently stayed around the \$2 billion mark for years now. Rather than make a big effort to repay the debt, Baytex instead made the decision to invest in new production. With the benefit of hindsight, this doesn't seem to have been a good choice.

To put the debt level into perspective, Baytex's market cap is now a hair under \$250 million. It's obvious that investors don't think the equity is worth very much. If today's weakness continues for even

a few months longer, [bankruptcy](#) may be the company's only option.

## Crescent Point

Like many other oil stocks, **Crescent Point Energy** (TSX:CPG)(NYSE:CPG) is suffering from a bloated balance sheet as it struggles to pay off debt accumulated during better times.

However, I *will* give the company credit. It has paid off a big chunk of its debt, decreasing it from \$4 billion to \$2.3 billion by the end of 2019. It also has a healthy cash position that will be preserved after planned capital expenditures for 2020 were slashed.

The company also has a robust hedging program — a move that looks really smart today. It could earn as much as \$400 million in hedging gains alone this year if the price of crude remains under \$30 per barrel.

Crescent Point shares have nearly doubled in the past month alone, pushing its market cap once again past \$1 billion. Investors are bullish, a sentiment I'd agree with. Crescent Point is the healthiest company on this list.

## Cenovus

It isn't just oil crude oil prices that keeps oil stocks like **Cenovus Energy** (TSX:CVE)(NYSE:CVE) down. The company also made an acquisition that's put stress on its balance sheet.

Cenovus has made some progress paying down the debt, but it's been a long slog. At the end of 2017, net debt was approximately \$9 billion. These days it's lower, but it's only been reduced to a hair under \$8 billion. Management is making moves to get the balance sheet under control, such as cutting capex and eliminating the dividend. But it might be too little, too late.

There are pockets of good news, however. The company doesn't have any major debt maturities due until 2022. Efforts to decrease operating costs are working, and the company's refining profits should bounce back in just a few months. It also has some liquidity via lines of credit, although those could be pulled if the situation in the sector gets much worse.

As long as oil prices snap back within a few months, Cenovus should be able to survive this. I'd be skeptical if sub-\$30 oil persisted until 2021.

## The bottom line on these troubled oil stocks

Although Crescent Point looks healthier than both Baytex and Cenovus, all three of these names need oil to recover. Without that, they'll all eventually be doomed. A bet on each is simply a bet on crude oil. And no matter what name you choose, that's a risky bet.

### CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

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

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## Date

2025/06/30

## Date Created

2020/05/03

## Author

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