



## Does Cenovus Energy Deserve a Downgrade?

### Description

*While Fools should generally take analyst opinions with a grain of salt, it's not a bad idea to take a closer look at particularly stock-shaking upgrades and downgrades — just in case the reasoning behind the call makes sense.*

**What:** Shares of **Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)) slipped slightly on Friday after TD Securities downgraded the bitumen, oil, and gas developer from buy to hold.

**So what:** Along with the downgrade, analyst Menno Hulshoff lowered his price target to \$35 (from \$38), representing about 33% worth of upside to yesterday's close. While contrarians might be attracted to Cenovus' steady decline over the past year, Hulshoff thinks a rebound might take longer than expected given yesterday's outlook from management.

**Now what:** According to TD, Cenovus' risk/reward tradeoff is pretty balanced at this point. "Although our long-term investment thesis has not changed and we believe that these issues likely prove to be nothing more than a short-term challenge, we acknowledge that it may take some time for CVE to prove that the fundamental [Foster Creek] outlook has not changed," noted Hulshoff. "More specifically, FC [steam-to-oil ratio] and sustaining capital costs are not expected to normalize until early 2015, while optimization work has been deferred until its new operating procedures have been assessed."

With the stock flirting with its 52-week lows and currently boasting a 3%-plus dividend yield, however, those short-term concerns might be providing energy-savvy Fools with a juicy long-term income opportunity.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:CVE (Cenovus Energy Inc.)

2. TSX:CVE (Cenovus Energy Inc.)

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1. Investing

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