



Is EnCana Corporation About to Hit \$35?

Description

Few energy stocks have performed as well as **EnCana Corporation** (TSX: ECA)(NYSE: ECA). Shares have rallied more than 20% year to date. And since the panic-induced lows hit last year, the stock is up nearly 45%.

EnCana has done most of what was needed to win back investors. That said, it still has some work left to do, which leaves the company with a lot of untapped upside. Here are three reasons why this is one irresistible stock for energy investors.

1. Lots of value being realized

EnCana has spent this past year selling off non-core assets. In June, it sold its Alberta Bighorn acreage to an American private equity firm. And just last week, it disposed of its remaining stake in **PrairieSky Royalty Ltd.** for \$2.6 billion.

That said, EnCana isn't done realizing the value within its portfolio. The company still has a number of large dry gas properties. Each asset sale provides more funds that can be reinvested into higher-margin oil plays.

2. Focused on core plays

These asset sales have shifted EnCana's focus to seven core assets. For a mid-size company, focus is good. Instead of being spread too thinly, EnCana can build scale to bring down costs and improve returns.

EnCana sees its biggest potential upside from the Permian Basin. Last week, it bought **Athlon Energy Inc.** for just over \$7.1 billion. The purchase will give it a position in a world-class oil play and speed up its transition toward a more liquids-rich production mix.

EnCana has also accumulated landholdings in a number of other fast-growing shale plays including the British Columbia Montney and the Texas Eagle Ford. And while it's not the best spot, the company has a foothold in the Alberta Duvernay as well.

3. The smart money is buying

The world's smartest money managers are backing EnCana's turnaround effort. Billionaire investor Ken Griffin has purchased US\$231 million in combined shares and call options. A number of other respected hedge fund managers — including Steve Cohen, Louis Bacon, and D.E. Shaw — have boosted their positions in the stock last quarter as well.

Bay Street is also on board with the plan. In July, analysts at FirstEnergy Capital initiated coverage on the company, highlighting EnCana as their top energy pick. And since CEO Doug Suttles announced his turnaround plan last fall, the company has added \$4.8 billion to its total market capitalization.

What could have all of these Wall Street titans so excited? I'd say it could only mean one thing: They see a lot of upside ahead.

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