Cenovus Energy Inc.: Why Buying Shares Now Will Give You Your Money's Worth

Description

The fall in oil prices is proving to create great opportunities for investors to snag superior companies at a bargain.

One such company is **Cenovus Energy Inc.** (TSX: CVE)(NYSE: CVE), an integrated oil and gas company and one of the biggest players in the sector. It has major joint collaborations at Foster Creek and Christina Lake, and many analysts believe production should increase vastly over the next few years.

But the pressure on oil prices is inadvertently putting pressure on Cenovus' stock price. The company recently hit a five-year low and has been experiencing operational hiccups over the past few years.

However, in the long term, Cenovus continues to look like a good investment. The company announced its third-quarter results last week and overall, they were not bad at all given how much oil prices have tanked. It got higher prices for its natural gas and its cash flow increased about 6%, leaving those who track the stock pretty impressed indeed. Cenovus has also boosted its cash flow estimate for this year to roughly $3.9 billion, which, according to its current valuation, means the stock is trading just under five times cash flow. So the stock does have potential to grow stronger.

Over the past few years, Cenovus has upped its production by about 100% since its parted ways from **EnCana Corporation** in 2009. Last week's earnings release showed the company boosting its 2014 production guidance by 0.5%, which is welcome news.

Its dividend has also been on a steady climb, increasing about 33% since 2009. The company currently pays about $1.06 dividend, with a yield of about 3.8%. And with its increased production outlook, investors are likely to see more dividend increases.

The company (along with its partners) operates two major projects, amongst them the Christina Lake project and Foster Creek. The projects performed better than analysts' expectations with combined oil sands production coming in at 125,000 barrels per day and a modest $12.39/b oil sands operating costs for the Christina Lake project.

In spite of oil prices slipping, Cenovus has a lot of potential growth in its pipeline, making it a great buy at current levels. It will be interesting to see its plans for the next year when it releases its 2015 budget on December 11.

CATEGORY

1. Energy Stocks
2. Investing

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