



## 3 Reasons to Buy Cenovus Energy Inc. Right Now

### Description

When it comes to the energy sector, I've noticed a huge disconnect between the talking heads on television and the behavior of retail investors.

All I'm hearing from the mainstream media is how bad the next few months looks for the price of crude. North America is awash in the stuff, they say. OPEC isn't about to decrease production, they say. And apparently, Western governments are happy to artificially keep the price down in an attempt to weaken Vladimir Putin's hand.

I hope you're not falling for all that, because I'm not. The history of oil is full of moments like this. Crude sold off in 2013, dropping from \$110 to \$90 per barrel. Before that, it sold off in 2011, dropping from \$110 to \$80 per barrel. And who can forget 2009, when crude temporarily traded below \$40 per barrel? Investors who bought during those weak periods did well.

What's the difference between now and those other sell-offs? Nothing. Oil will recover. We just don't know when.

This is why it's imperative that you buy now. But which producer? Here's the case for adding **Cenovus Energy Inc.** ([TSX: CVE](#))([NYSE: CVE](#)) to your portfolio.

### 1. Huge bounce-back opportunity

If you look closely at the chart for crude oil, most corrections look like a triangle. The price of crude goes down, and then almost immediately goes back up again. This correction might be different, but why take that chance?

Besides, there are plenty of potential catalysts to increase crude prices. Like most other commodities, traders can send oil sharply higher or lower almost entirely based on sentiment. Right now, sentiment is negative, but there are several potential events that could send sentiment, and in turn crude prices, higher.

The big one is OPEC. The organization is scheduled to meet at the end of the month, and I'm betting

on a production cut. Most member nations need oil above current levels to be able to balance their national budgets. Even a token cut in production will send a strong signal to the market.

If this happens, every oil stock will rally, including Cenovus.

## 2. Oil sands growth

Cenovus has some huge projects planned over the next decade.

In early November, the company got approval for its Telephone Lake project, which is expected to have maximum production of 300,000 barrels of oil per day by the end of this decade. Reserves, like with most oil sands projects, are massive. Telephone Lake is expected to produce for 40 years.

Cenovus is also working on its Grand Rapids development, which is expected to add 180,000 barrels of oil per day to the company's production. Additionally, it plans to expand both of its current oil sands projects significantly in 2015 and 2016, which should add more than 100,000 barrels of oil per day to the company's top line.

Management has set a long-term goal of 525,000 barrels of oil per day production by 2023, which is approximately what **Suncor Energy Inc.** produces today. Suncor has an enterprise value of \$69 billion, while Cenovus's enterprise value is just \$25 billion. Assuming everything goes to plan, Cenovus would likely be worth what Suncor is worth today.

## 3. A succulent dividend

Even if the price of crude stays weak, Cenovus still pays a nice dividend. Shares currently yield 3.9%.

Once production increases come online, look for the dividend to go higher. The company is spending a lot to expand current operations, but once it does it'll have some of the lowest cost production in the sector. This translates into plenty of free cash flow and, likely, further increases to the dividend.

The energy sector is on sale. By focusing on the long-term, investors can buy some of Canada's energy giants on the cheap. Cenovus is a good play, but we've got a couple others in the sector that might be even better. Check out our FREE report below.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

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