



## Is Now the Right Time to Buy Cenovus Energy Inc.?

### Description

**Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)), one of largest integrated oil and gas companies in Canada, announced first-quarter earnings results before the market opened on April 29, and its stock responded by falling over 2% in the trading session that followed. Let's take a thorough look at the results to determine if this weakness represents a long-term buying opportunity, or a warning sign.

### A very weak first-quarter performance

Here's a summary of Cenovus' first-quarter earnings results compared with its results in the same period a year ago.

Metric	Q1 2015	Q1 2014
Net Earnings Per Diluted Share	(\$0.86)	\$0.33
Revenue	\$3.14 billion	\$5.01 billion

*Source: Cenovus Energy Inc.*

In the first quarter of fiscal 2015 Cenovus reported a net loss of \$668 million, or \$0.86 per share, compared with a net profit of \$247 million, or \$0.33 per share, in the same quarter a year ago, as its revenue decreased 37.3% to \$3.14 billion.

The company noted that these very weak results can be attributed to lower commodity prices, including the average realized price for its oil and hedging, which decreased 47% to \$37.66 per barrel. The average realized price for its natural gas decreased 25.3% to \$3.34 per thousand cubic feet compared with the year-ago period.

Here's a quick breakdown of 12 other notable statistics from the report compared with the year-ago period:

1. Revenue decreased 44% to \$1.18 billion in its Upstream segment
2. Revenue decreased 35.7% to \$2.1 billion in its Refining & Marketing segment

3. Total oil production increased 10.8% to 218,020 barrels per day
4. Oil Sands production increased 19.9% to 144,372 barrels per day
5. Conventional Oil production decreased 3.6% to 73,648 barrels per day
6. Natural gas production decreased 2.9% to 462 million cubic feet per day
7. Operating cash flow decreased 53% to \$549 million
8. Cash flow decreased 45.2% to \$495 million
9. Cash flow decreased 46.2% to \$0.64 per share
10. Reported an operating loss of \$88 million, or \$0.11 per share, compared with an operating profit of \$378 million, or \$0.50 per share, in the year-ago period
11. Capital expenditures decreased 36.2% to \$529 million
12. Average number of diluted common shares outstanding increased 2.9% to 778.9 million

Cenovus also announced that it will be maintaining its dividend of \$0.2662 in the second quarter, and it will be paid out on June 30 to shareholders of record at the close of business on June 15.

### **Should you invest in Cenovus Energy today?**

I think the post-earnings weakness in Cenovus' stock is warranted, but I also think it represents an attractive long-term buying opportunity because I think commodity prices will rebound in the next 12 months and because it has a very high dividend yield.

First, I think oil will move back to about \$75 per barrel, and this will lead to investors piling in to energy stocks like Cenovus.

Second, Cenovus pays a quarterly dividend of \$0.2662 per share, or \$1.0648 per share annually, giving its stock a very high 4.7% yield at current levels. The company has also increased its dividend for three consecutive years, and as long as commodity prices recover over the next 12 months, I think this streak could continue for the next several years.

With all of the information provided above in mind, I think Foolish investors should strongly consider beginning to scale in to long-term positions in Cenovus Energy today.

### **CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

### **POST TAG**

1. Editor's Choice

### **TICKERS GLOBAL**

1. NYSE:CVE (Cenovus Energy Inc.)
2. TSX:CVE (Cenovus Energy Inc.)

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