



## 3 Things Cenovus Energy Inc.'s CEO Wants You to Know

### Description

The CEO of **Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)), Brian Ferguson, recently addressed the investment community on a conference call to discuss his company's first-quarter results. Those results were deeply impacted by weak oil prices, as evidenced by the fact that cash flow dropped 45% over last year's first quarter. On that call the company's management team addressed its current situation and provided investors with insights into how it plans to manage through the downturn and drive future growth. Here are three highlights from the CEO's comments.

### Highest priority

Ferguson led off the conference call by saying Cenovus' "highest priority for 2015 is preserving our financial resilience without compromising our future." He then went on to point out that the company completed several strategic initiatives to help strengthen the company's financial flexibility and support this priority.

The first thing the company did was cut its capital spending plan by \$1.2 billion over what it spent last year. Despite the cut, the company can still drive high return growth. On the cost side Cenovus also cut its contractor workforce by 15% and has aggressively undertaken cost cutting measures to help offset some of the impact of weak oil prices. Finally, the company issued some equity to bolster its cash position.

### Operational results are strong

While its financial results were weakened by the drop in oil prices, Cenovus' operational results were actually really strong in the first quarter. Ferguson noted on the call that "production continued to trend above the midpoint of guidance." Overall, oil sands production was up 2% over the prior quarter, while costs fell 3%.

Production was particularly strong at Christina Lake as it averaged 76,000 barrels per day. One reason for this, according to COO John Brannan, is because the "reservoir continues to exceed our expectations." Thanks to this stronger-than-expected production, the company expects full-year production at Christina Lake to be above the midpoint of its guidance range of 67-74,000 barrels per

day.

### **Dividend is safe**

Ferguson also addressed the company's dividend in light of the fact that cash flow is down so substantially. He said, "I do not want a variable dividend," which is to say, he doesn't want the dividend to be cut when commodity prices are in a cyclical downturn. Instead, he wants a dividend that is set to be safe no matter where the company is in the commodity cycle. To help ensure that the dividend doesn't get cut the company has cut costs so that its cash flow will cover both its capex and its dividend in 2015.

### **Investor takeaway**

Cenovus Energy's CEO had three core messages for investors on the company's last conference call. First, its top priority is to remain financially strong. Second, its operations are thriving despite the weak price environment. Finally, the company plans to keep the current dividend rate through the downturn of the cycle.

### **CATEGORY**

1. Energy Stocks
2. Investing

### **TICKERS GLOBAL**

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

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