



## Should You Buy Cenovus Energy Inc. Today?

### Description

Contrarian investors are looking at the battered names in the Canadian energy sector and wondering which stocks might offer some attractive upside potential.

Let's take a look at **Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)) to see if the oil sands company is an interesting pick right now.

### Big acquisition

Cenovus made a big bet earlier this year when the company bought out its 50% oil sands partner, **ConocoPhillips**.

At first glance, the acquisition appears to make sense, as Cenovus already operated the assets and instantly doubled its production capacity and reserves without having to acquire facilities at new locations.

The market, however, doesn't like the deal, and the stock has suffered since the takeover was announced.

Why?

Cenovus spent \$17.7 billion to acquire the oil sands properties, as well as assets in the Deep Basin plays in Alberta and British Columbia. The deal consisted of cash payments of \$14.1 billion and 208 million Cenovus common shares.

In order to cover the cash component, Cenovus used funds on hand, existing credit facilities, and has taken bridge loans while it searches for buyers for its non-core conventional oil and gas assets.

Investors are concerned the company won't get the \$4-5 billion it expects to generate from the asset sales, and that is putting pressure on the stock.

In the Q2 2017 report, Cenovus said the sales processes are proceeding well. In fact, the company

plans to announce sale agreements for Pelican Lake and Suffield by the end of Q3 2017 and for Palliser and Weyburn in the fourth quarter.

Adjusted Q2 funds flow rose 80% compared to the same period last year, and the company has reduced its capital spending for 2017 by \$200 million, while maintaining expected production guidance.

## **CEO succession**

Cenovus is searching for a new boss to replace outgoing CEO Brian Ferguson, who is leaving the company at the end of October. The exit of the CEO at such a critical time in the company's history might be another reason the shares are trading near their all-time lows.

## **Oil market**

Oil prices fell from US\$55 per barrel at the start of the year to below US\$43 in June amid concerns that OPEC's efforts to reduce supplies won't be adequate to balance out the market and push prices higher.

Part of the concern lies with the group's compliance on its target of cutting output by 1.8 million barrels per day through next March. The other issue lies with growing U.S. production, which just hit its highest level since July 2015 and is 13% above the 2016 low.

At the time of writing, oil is trading at US\$47.50 per barrel.

Oil appears to be stuck in a range, and that might continue for some time, so investors have to keep this in mind when evaluating opportunities in the sector.

## **Should you buy Cenovus?**

The stock is down more than 50% in 2017 and now trades close to \$9 per share.

If you think oil is on the cusp of a recovery and are confident Cenovus can get the money it wants for its non-core assets, it might be worthwhile to take a contrarian position in the stock while it is out of favour.

Otherwise, I would search for other opportunities today.

## **CATEGORY**

1. Energy Stocks
2. Investing

## **TICKERS GLOBAL**

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

## **PARTNER-FEEDS**

1. Msn
2. Newscred
3. Sharewise

4. Yahoo CA

**Category**

1. Energy Stocks
2. Investing

**Date**

2025/08/02

**Date Created**

2017/08/30

**Author**

aswalker

default watermark

default watermark