



## Should Cenovus Energy Inc. Be in Your Portfolio?

### Description

**Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)) is moving higher after a horrible pullback that has cut the stock price in half since the beginning of the year.

Let's take a look at the oil sands producer to see if it deserves to be on your buy list today.

### Tough times

Cenovus was a \$33 stock three years ago and traded above \$20 at the beginning of 2017. At the time of writing, investors are paying about \$10.50 for the shares, and that's after a nice rally in the past couple of weeks.

The oil rout has taken a toll on the entire energy sector, but Cenovus has been hit harder than some of its peers.

What's going on?

The company made a big bet earlier this year when it bought out its joint-venture oil sands partner, **ConocoPhillips**.

On the surface, the \$17.7 billion deal looked like a reasonable move, as it instantly doubled both production and the oil sands resource base on assets that Cenovus already operated and knows very well.

In addition, Cenovus picked up valuable properties in the growing Deep Basin plays in British Columbia and Alberta.

Management tried to sell the deal as a positive one for investors, and that could turn out to be the case, but the market reacted negatively to the acquisition.

Why?

Cenovus had to take on a large bridge loan to cover the purchase while it searches for buyers for non-

core assets it plans to sell. Until recently, pundits were skeptical the company would be able to get the prices it wants for the assets, which Cenovus hopes will be \$4-5 billion.

### First sale

Cenovus recently announced the sale of the Pelican Lake facilities to **Canadian Natural Resources Ltd.** for \$975 million.

Analysts have reacted positively to the sale, saying Cenovus received a decent price for the assets.

The company also said it is in advanced discussions on its Suffield assets and has parties interested in the Weyburn and Palliser properties, which are also on the block.

### Should you buy?

The stock has recovered from \$9 per share to above \$10.50, so investors are already feeling better about the company's prospects.

If you are an oil bull and think Cenovus will get a decent price for the other assets, it might be worthwhile to add a small position to the portfolio.

### CATEGORY

1. Energy Stocks
2. Investing

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2. TSX:CVE (Cenovus Energy Inc.)

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