



Cenovus Energy Inc. Is up 35% in the Past Month: Is it Still a Buy?

Description

Cenovus Energy Inc. ([TSX:CVE](#))([NYSE:CVE](#)) has seen its share price rise significantly the past month, and the stock is now trading at approximately four-month highs. Cenovus was my stock pick a few months ago, and I'll take a closer look at the share to see if it has more upside left or if you should consider selling any gains that you may have made.

Asset sales continue

Earlier this month, Cenovus sold its Pelican Lake assets to **Canadian Natural Resources Limited** at the high end of what was estimated to be its value, and the company is now working on the sale of its Suffield property. Although the sale is not done, it could reach as much as \$600 million. After the company's large and controversial asset purchase from **ConocoPhillips**, it promised shareholders it would sell assets that would bring down its debt levels and estimated proceeds could total as much as \$5 billion.

Current valuation

In the trailing 12 months, the company's earnings per share have totaled \$2.74, meaning the company trades at less than five times its earnings. By comparison, **Husky Energy Inc.** trades 10 times earnings, while **Encana Corp** is at a multiple of over 13. If Cenovus were to reach similar multiples, its price would have to more than double from where it is today. However, I wouldn't expect that much of a price increase without first seeing a sustained improvement in the price of oil. Cenovus is a bit riskier than other oil and gas stocks, as the company effectively doubled down on its risk in the oil sands with the ConocoPhillips asset purchase.

Although Cenovus has seen its share price rise, the stock is still trading below book value.

Recent performance

In its most recent quarter, the company saw sales improve 34% from the previous year and posted a profit for the third consecutive quarter. Cenovus has seen sales drop from a high of \$20 billion in 2014 to just \$12 billion this past fiscal year for a decline of 39% since the drop in oil prices began. In the

trailing 12 months, the company has posted revenue of \$15 billion, and it certainly looks as though Cenovus is on the path to recovery.

Should investors buy the stock today?

If we look at the price performance and the relatively low multiples that the stock trades at, there is certainly upside left in the share price. The big question is, how high the price will go? Especially since the recent climb in price might result in some investors cashing in on strong gains in the fear that there might be a correction around the corner.

Cenovus has seen its performance improve, and this looks like a stock that has risen from the ashes; it likely won't return to the lows that it was trading at anytime soon. The company has distanced itself from controversy and bad news and replaced it with optimism and positive results.

The big question marks that remain are what the price of oil will do, how the company's asset sales go, and if the proceeds are as impressive as what was obtained from the Pelican Lake sale. Any of these items could impact the share price and send the stock sharply in one direction or the other.

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