



## Cenovus Energy Inc.'s Production Doubles in Q3 and Helps Boost Earnings

### Description

**Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)) released its third-quarter results on Thursday. The company recorded a loss of \$69 million, which is an improvement over the \$251 million loss that Cenovus posted a year ago. Sales of \$4.3 billion were up 49% year over year, but that wasn't enough to put the company in the black, as rising costs eroded the great top-line performance.

Let's take a closer look at the results to see why Cenovus was unable to turn a profit, despite the strong revenue growth.

### Gains and losses a big impact on the company's financials

In the company's [previous quarter](#), it was able to post a profit of over \$2 billion; however, this was helped significantly by a revaluation gain of over \$2.5 billion. In Q3, the company the company had a loss on its risk-management activities totaling \$496 million, but these were offset partially by a \$350 million gain on foreign exchange.

### Discontinuing operations hamper overall results

As Cenovus continues to sell assets from its conventional segment, the operations relating to those assets has been classified as discontinued. This quarter incurred a loss of \$357 million, up from a loss of \$196 million last year.

The pool of assets making up the company's discontinued operations continues to shrink, as in September the company reached an agreement to sell its Suffield operations, and in October it reached a deal to sell its Palliser assets. Both sales are expected to close in Q4.

Earnings from continuing operations totaled \$288 million and were up from a loss of \$55 million a year ago.

### Production more than double from last year

The company's oil and gas production was nearly 600,000 barrels of oil per day — more than double

the 273,000 it produced last year. The largest production increase came from the oil sands, where Cenovus produced an average of 362,000 barrels every day compared to 153,000 a year ago.

## Transition in CEO

Brian Ferguson has retired as the company's president and CEO, effective November 2, and is replaced by Alex Pourbaix. Ferguson, investors will recall, took a lot of heat for the company's large asset purchase from **ConocoPhillips** earlier this year, which ultimately [resulted in the stock plummeting to all-time lows](#).

## Is the stock a good buy today?

With Cenovus's share price take a beating this year, year to date, the stock is still down 35%. There is a lot of potential upside, not only as the company continues to increase production and improve its financials, but also as the price of oil continues to rise.

The company has followed through on selling its assets as promised, and investors should have renewed confidence in the oil and gas giant.

Oil and gas still presents a risk to many companies and investors, but as cuts supply cuts by OPEC are expected to be extended, and with production starting to ramp up, it appears that the worst may finally be over.

With an improved balance sheet, increasing production and rising oil prices, Cenovus is in prime position to take advantage of an industry that is back on the rise. Barring another collapse in the price of oil, it's hard to see the stock being more of a bargain than it is today.

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