



## Why Cenovus Energy Inc. Was Down 5% on Tuesday

### Description

**Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)) announced earlier this week that it had reached a deal to sell its Weyburn assets for \$940 million to **Whitecap Resources Inc.** It was the last major asset the company planned to sell as a way to bring down its debt load, which rose as a result of the assets that Cenovus purchased from **ConocoPhillips** earlier this year.

In September, Cenovus [sold its Pelican Lake project](#) for \$975 million to **Canadian Natural Resources Limited**. Later that month, Cenovus also reached an agreement to sell its Suffield assets for \$512 million and in October sold its Palliser assets for \$1.3 billion.

In total, Cenovus collected \$3.7 billion from all the asset sales, which is just short of the \$4-5 billion that was initially expected. Although it may be somewhat disappointing that Cenovus failed to reach its lower target, it's still a good sign that the company was able to sell the assets fairly quickly and bring down its debt as promised.

### Stock took a beating after the ConocoPhillips asset purchase but has recovered since

Cenovus saw its stock reach a [new all-time low](#) after investors sold shares after the deal was ConocoPhillips was announced; they were unhappy with the financing as well as the fact that it was not put to a vote. In the past three months, Cenovus has seen its share price rise 35% on the strength of rising oil prices and the company's progressing asset sales.

However, investors haven't responded positively to this latest news with the stock being down more than 5% in trading on Tuesday. Investors are likely disappointed that the total asset sales came in lower than expected.

### Cenovus has seen improvement in its financials

In its most recent quarter, the company's sales were up 49% year over year and rising oil prices could mean more of that to come in the quarter's ahead. With talks of OPEC cuts being extended, there is the real possibility that the price of oil could continue to rise higher, which will result in strong sales and profits for Cenovus and other oil and gas companies.

### **The stock is still a good value, despite the recent increase in share price**

Although Cenovus has seen its share price rise in the past few months, the stock is still trading at less than five times its earnings and at just ~0.84 times its book value.

### **Should you buy the stock?**

Value investors will certainly like the multiples the stock currently trades at, and with the stock having recovered recently, it could present a lot of potential upside in price, especially as oil prices continue to rise.

Cenovus has unduly seen its stock price be punished for a controversial asset purchase, and that has created an opportunity for investors that can look beyond that. After all, Cenovus has put together some strong quarters recently and positioned itself for success as the industry continues to recover.

This is a great long-term buy with the potential to produce a significant return for investors that aren't afraid to take on some risk.

### **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**

2025/08/27

### **Date Created**

2017/11/15

### **Author**

djagielski

**default watermark**

**default watermark**