



A Rising Energy Stock That Could Continue to Soar

Description

The rebound in oil prices is bringing money back into the energy sector, and investors are wondering which stocks have the potential to deliver big gains.

Let's take a look at **Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)) to see if it is attractive today.

Recovery mode

Cenovus is up nearly 40% in the past two months, driven by the [oil rally](#) and reduced concerns about the company's balance sheet.

What's going on?

Cenovus spent \$17.7 billion earlier this year to buy out its oil sands partner, **ConocoPhillips**. The deal instantly doubled oil sands production and reserves, and also came with strategic assets in the growing Deep Basin plays located in British Columbia and Alberta.

At first glance, the deal should be very positive, as Cenovus already operates the oil sands facilities and knows the potential of the reserves.

The market, however, punished the stock in the wake of the announcement.

Why?

Cenovus took on a large bridge loan while it searches for buyers of up to \$5 billion in non-core assets. Until recently, investors were concerned the company would not find bidders willing to pay the targeted prices.

Positive developments

In the past two months, Cenovus has announced four deals for about \$3.8 billion, including sales of the Pelican Lake, Suffield, Palliser, and Weyburn assets.

The total proceeds are enough to cover the remaining balance of the \$3.6 billion bridge loan Cenovus took to pay part of the oil sands acquisition that closed earlier this year.

Upside potential

Cenovus is still down significantly in 2017, so there is definitely potential for additional gains, especially when you consider the fact that WTI oil is trading higher than it was at the beginning of the year.

The recent surge in oil prices could result in Cenovus getting better-than-expected prices for other assets it is planning to sell.

If oil moves higher, and Cenovus announces additional deals at the high end of price targets, investors should continue to drift back into the stock amid reduced concerns over the company's balance sheet.

Should you buy?

You have to be an oil bull to own any of the producers. If you fall in that camp, Cenovus still looks oversold and might be worthy of a small [contrarian position](#) today.

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