



## Is Cenovus Energy Inc. an Attractive Stock Pick Today?

### Description

Investors are looking at the strong gains in the price of oil over the past six months and wondering which stocks might be attractive picks heading into 2018.

Let's take a look at **Cenovus Energy Inc.** ([TSX:CVE](#))([NYSE:CVE](#)) to see if it deserves to be in your portfolio.

### Big deal

Cenovus spent \$17.7 billion earlier this year to buy out its oil sands partner **ConocoPhillips**.

On the surface, the deal should be positive for investors. Cenovus already operates the facilities and knows the potential of the reserves very well. The company instantly doubled production and also picked up strategic properties in the Deep Basin plays in Alberta and British Columbia.

The market, however, didn't like the move, and Cenovus took a big hit as a result.

Why?

The company used a \$3.6 billion bridge loan to cover part of the acquisition and announced plans to sell non-core assets through the end of 2017 to pay it off.

As oil prices fell and subsequently bottomed out in June, investors questioned management's ability to find buyers at the prices Cenovus wanted to get for the properties.

In total, Cenovus hoped to raise \$4-5 billion.

### Tide turning?

A recovery in the [oil market](#) has come at an opportune time, and at this point, Cenovus has already announced four deals for more than \$3.7 billion.

This has taken some of the pressure off the stock, which currently trades at \$12, up from a low of

about \$9 this summer.

In addition, the company found a new CEO, so calm might be returning to Cenovus, and some of the clouds of uncertainty appear to be dissipating.

### Financial results

Cenovus reported improved financial results for Q3 2017. The company generated a net loss of \$69 million for the quarter, representing a 73% improvement over the same period last year.

### Should you buy?

You have to be an oil bull to own any of the [producers](#). If you fall in that camp, Cenovus might be worth a contrarian bet today.

The company has enough proceeds from the assets sales to cover the bridge loan, and WTI oil appears to have stabilized above US\$55 per barrel. Assuming the oil market will hold or extend the gains of the past six months, Cenovus probably looks oversold at the current price.

### CATEGORY

1. Dividend Stocks
2. Energy Stocks
3. Investing

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