



Cenovus Energy Inc. Is 1 of the Most Undervalued Stocks on the TSX

Description

Cenovus Energy Inc. ([TSX:CVE](#))([NYSE:CVE](#)) is one of the best [deep-value](#) plays for investors who are bullish on oil. With oil surging past the \$60 mark in the new year, I think there is a tonne of room for upside, and that huge single-day gains like today's 6.24% pop are going to be one of many as we head into the latter part of the year.

New extraction tech makes Cenovus a very attractive long-term pick

Some pundits see oil prices hitting \$80, and if that actually happened, Cenovus could very easily double in less than a year. Even if oil prices were to remain static, the company is very well equipped to thrive with its cutting-edge, steam-assisted, solvent-aided process, which allows for the extraction of oil using less steam, thus reducing emissions by ~30%. This new tech could help Cenovus better compete with the big-name players in Canada's oil patch, even with its larger integrated peers, whose stock charts have been much prettier than Cenovus's.

Oil sands projects are expensive, and they're ridiculously dirty. Foreign and domestic investors alike have been turned off by the oil sands for these reasons. The high start-up costs when combined with hefty carbon tax bills and crude price uncertainty pave the way for an unnecessarily risky investment that has caused many investors to throw in the towel.

The stock of Cenovus is trading at what I believe is a gigantic discount to its intrinsic value. New solvent-aided processes will allow for tremendous cost savings, which many oil sands operators are in dire need of, even after the nice rally in crude prices.

Bottom line

Cenovus has made major mistakes in the past, but the stock has paid for it, and then some. The balance sheet took a major hit on the chin following its \$17.7 billion asset acquisition from **ConocoPhillips**, but after several asset sales, Cenovus is by no means in financial trouble, especially considering the upward trajectory of oil prices.

At this point, I believe Cenovus is a [severely undervalued](#) company that many investors love to hate. If

you've got a contrarian mindset and a time horizon of at least five years, now is a fantastic time to pick up shares of a terrific company that's poised to enjoy a massive rebound.

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