5 Reasons Why I’m Loading Up on Shares of Cenovus Energy Inc.

Description

Shares in **Cenovus Energy Inc.** (TSX:CVE)(NYSE:CVE) have fallen over 30% during the past four weeks of trading and now sit just slightly above not only their 52-week lows, but their all-time lows.

Like many other Canadian energy producers, the company has been rocked by lower oil and gas prices that have plagued the industry since 2014.

Despite a short-lived rally that saw shares climb 46% in the second half of 2017, a glut of inventory in the Canadian market thanks to the Keystone oil spill has forced them back to their lows.

Fortunately for us, this has provided an outstanding opportunity to pick up Canada’s third-largest oil sands producer at a historic discount.

Here are five reasons why Cenovus makes such a great investment today:

The $13 billion ConocoPhillips acquisition

In May of last year, Cenovus acquired the remaining 50% interest in its FCCL Partnership with **ConocoPhillips** as well as the majority of ConocoPhillips’s Deep Basin conventional assets in Alberta and British Columbia.

While Cenovus has already divested the Deep Basin properties, the acquisition of ConocoPhillips’s oil sands has effectively doubled the size of Cenovus’s production and turned it into Canada’s third-largest energy producer.

An integrated business approach that reduces volatility

Unlike some of the other producers operating in the Canadian oil sands, Cenovus uses an integrated business model that allows it to capture the full value chain by converting crude oil into high-quality end products like transportation fuels at its refining operations.

This integrated model goes a long way to sheltering Cenovus from undesirable swings in the price of crude energy products.

Using transportation and marketing logistics to secure the best price for its products

In addition to refining operations, Cenovus also owns a crude-by-rail facility. This allows the company to market and ship its products south of the border to realize globally efficient prices for its end products, which are often superior to those realized in Canada.

Cenovus has a built-in hedge against natural gas prices

While the company benefits from higher realized prices for its natural gas sales, it also uses a built-in hedging system that can help mitigate some of the risk when natural gas prices are lower.

In addition to being a natural gas producer, Cenovus is also a natural gas consumer at its oil sands facilities and refineries — serving to reduce costs when natural gas prices are lower.

The company is a steam-assisted gravity drainage (SAGD) leader

Technology in the oil sands has come a long way over the past 20 years, and today Cenovus is thought of as the market leader in SAGD technology, which uses intense steam pressure at its Christina Lake and Foster Creek mines as opposed to capital-intensive mining and land extraction methods used by some of Cenovus's competitors.

Conclusion

Thanks to its integrated business model, Cenovus will fare better than most in the oil sands if oil prices were to suffer another slump, as they did a few years ago.

Yet while the integrated business serves to protect risk on the downside, the transformative acquisition of the FCCL assets goes long way to ensuring a bright future in terms of future growth for the company's shareholders.

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