



1 Oil and Gas Stock That Could Soar This Year

Description

The price of oil has been very volatile over the past year, which has made many investors hesitant to invest in oil and gas stocks. However, since the start of the year, oil prices have been on the rise again, and one key benchmark, West Texas Intermediate (WTI), is back to around US\$60/barrel. It may be a far cry from the US\$70/barrel it reached last year, but if it can at least maintain its current level then it will give the industry some stability and predictability.

A big determinant in the price of oil comes down to production. And with U.S. shale adding to supply, it forces OPEC to have to cut production in order to keep oil prices from falling. And what's what it did back in December when the organization decided to cut production by 1.2 million daily barrels. It should come as no surprise that the commodity has risen in value since those cuts and that's also why it should also signal to investors that OPEC does not have an appetite for oil prices to dip too far down.

One oil and gas stock that might continue to rise

A stronger price of oil would be great news for **Cenovus Energy Inc** ([TSX:CVE](#))([NYSE:CVE](#)), which has had a tough time recovering from a [difficult 2017](#) that saw the stock face a lot of controversy and bad press. Although the stock is up 7% in the past year, it is still trading well below its book value at a price-to-book multiple of just 0.8. Losses in four straight quarters have unfortunately done little to encourage investors to take a chance on the troubled stock.

However, it isn't all bad news for Cenovus, as in four of its past five quarters it has generated positive free cash flow, which is a much more important indicator of the company's operations than net income that will include non-cash items. The company also made strides in bringing down its debt levels, which have been a big concern for many investors.

There are many positives for the stock and sales have been growing as well. With \$21 billion in sales in 2018, Cenovus generated more revenue than it did back in 2014 and its top line has increased by 74% since 2016. Unfortunately, the company has been hit with a lot of [noise](#) on its financials, which has hurt its profitability as gross margins have also been stronger than 2014's totals, meaning that it has been other expenses that have been the problem for Cenovus.

If the company can get its costs under control in 2019, then it should be able to get back into the black, which is something it's been able to do in three of the past five years. The ingredients are all there for Cenovus to be successful, especially if oil prices are able to get some much-needed momentum and are able to continue rising.

Cenovus is not without risk, but it's a stock that could definitely see a lot of upside if it's able to string together a couple of good quarters.

CATEGORY

1. Energy Stocks
2. Investing

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Date

2025/08/27

Date Created

2019/03/19

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