



Encana (TSX:ECA) Stock's U.S. Move: Is it Time to Buy Now at \$6?

Description

You might have heard that **Encana** (TSX:ECA)(NYSE:ECA) is moving its headquarters to the U.S. Encana may not be the best-performing company in the stock market in recent years, but it is, nonetheless, an essential part of Canada's economy.

This is what makes the company's recent decision to move its headquarters to America next year so painful for Canadians. Rubbing salt into the wound, Encana plans to rebrand itself as Ovintiv, a move that is seen as an attempt to thoroughly wash its image clean of its Canadian branding and history.

Background information on Encana

The history of Encana starts in 2002 when Alberta Energy Company, started in the 1970s, merged with PanCanadian. The six years after the merger were phenomenal, with the company's stock soaring over 300% by 2008 and becoming a darling for investors.

Encana would eventually become the country's largest gas producer before it started selling its assets in 2013. Since then, stock prices have fallen consistently lower to reach an all-time low of about \$5 on November 1.

The decision to leave Canada

When the company announced that its headquarters would be moved to Denver, Colorado, the CEO, Doug Suttles, denied it was due to politics. Instead, he claimed that the decision would enable the company to tap into deeper capital markets in the U.S.

Nevertheless, former CEO and founder of the company, Gwyn Morgan, believes politics must have contributed to the decision.

Following Canada's federal election on October 21, the Liberals failed to secure a majority in parliament. This means that Trudeau will now have to rely on the support of the New Democratic Party

and possibly the Green Party if he hopes to pass key legislation.

The problem is that both these parties are vehemently against the further development of Canada's oil sands.

But the problems with the energy sector didn't just start after the election. Before the election, several oil projects had already been stalled — most significantly, the Trans Mountain expansion project. Others include Line 3 by **Enbridge** and Keystone XL by **TC Energy**.

These projects were dragging along, but there was still hope should a conservative majority take over parliament. However, with the recent loss of a majority in parliament, these projects are now even more unlikely to proceed.

It is most likely for this reason that Encana finally decided to shift its base south and even change its name to Ovintiv. The [averseness toward oil development](#) in the country has hurt the industry, as investors have been put off by uncertainties in production.

Since 2014, total capital expenditures in oil has decreased from \$81 billion to \$37 billion, and energy stocks in Canada sell at a fraction of energy stocks in the U.S. for this reason. Even attempts to limit oil production by the oil companies have not worked to make things better, as the global oil industry starts to consider *Canada* a dirty word.

All these reasons have combined to make Encana decide to finally abandon Canada.

Encana's stock price performance

On October 31, Encana announced Q3 financial reports for the fiscal year 2019 ended September. Stock prices have soared since then by over 20% from positive reports of financial performance to surpass \$6.

Net earnings for the quarter reached \$149 million, equivalent to \$0.11 per share. Cash flow also increased, with non-GAAP free cash flow at \$251 million. This enabled the company to buy back \$1.25 billion worth of common shares at \$6.34 each, reducing the total share count by about 13%.

Summary

These reports show that Encana is still not yet out of the gutter, as the company is still struggling to overcome difficulties. Despite consistently paying out dividends and making a profit, the company's [stock has still declined](#).

Be cautious if you're buying this stock. Moving to the U.S. may increase capital investment, but most of the company's production is still in Canada, where the oil sector is still struggling, and there will continue to be political barriers to growth.

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