This Energy Stock Is up Over 400% Since the March Market Crash

Description

March was a great time to buy stocks this year. After the COVID-19 pandemic sent the markets tumbling, many stocks were trading near their lows for the year and were downright bargains. And while many stocks have rallied since then, some have been downright soaring.

Take **Ovintiv** (TSX:OVV)(NYSE:OVV) for example, which some investors will recall as the company formerly known as Encana. The company made headlines earlier this year when it formally switched its name and also moved its headquarters from Calgary to Denver.

Oil and gas companies in Canada have been struggling not only because of low commodity prices, but also because of political hurdles. There is a lot of opposition to pipelines in Canada, and investors just aren't excited about Canadian oil and gas stocks.

Things got even worse for the industry when oil prices went into the negative earlier this year, and the COVID-19 pandemic crushed demand for oil, as it was looking like people would remain indoors for a prolonged period of time. The price of natural gas also crashed in the first few months of 2020.

In early March, the oil and gas producer's stock price would hit a low of $2.95 — that's more than 90% lower than the more than $30 it was trading at when the year began. But Ovintiv's stock has been rising steadily since then and currently trades around $15 per share. That's more than five times its 52-week low. Even with the increase, however, the stock's still down about 50% year to date.

Is the stock a good buy?

Although shares of Ovintiv have been rising in recent months, a big part of that's to due with just how much the stock fell in March. Oil and gas stocks got hit with a double whammy in that not only were the markets crashing, but so were commodity prices. The good news is that oil and natural gas prices have been rallying in recent weeks, and that's likely a key reason why Ovintiv has also been doing better of late.

Ovintiv is hedged to protect itself from a low price of oil, especially over the near term. However, the industry as a whole still faces a lot of uncertainty ahead. The longer the pandemic lasts, the more of a negative impact there could be on the demand for oil and gas.

But Ovintiv's still in a good place from a cash flow perspective, as it generated a positive US$117 million from its day-to-day operating activities in its most recent quarter, where it reported a net loss of US$4.4 billion (mainly due to impairment losses). As long as lockdowns and tight restrictions don't return, the worst may even be over for the company.

Currently, shares of Ovintiv are trading at about half of their book value and at just three times earnings. For long-term investors, this could be a calculated risk worth taking. The company is still generating cash flow during a very difficult period, and with commodity prices showing a bit more strength, it may not be a bad position to invest in Ovintiv today, as there's still plenty of room for the stock to rise in value.

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