TFSA Investors: Buy This Deeply Discounted Value Stock

Description

Cenovus Energy (TSX:CVE)(NYSE:CVE) is an integrated oil and natural gas company headquartered in Calgary, Alberta. Cenovus is in the business of developing, producing, and marketing crude oil, natural gas, and natural gas liquids (NGLs) in Canada. It also conducts marketing activities and owns refining interests in the United States.

Cenovus oil and natural gas reserves and production are located in Alberta and British Columbia. The company has a land base of approximately 5.3 million net acres. The estimated proved reserves life index based on working interest production is approximately 32 years.

The company has a price-to-book ratio of 0.54 and market capitalization of $15.23 billion. Debt is high at Cenovus, as evidenced by a debt-to-equity ratio of 0.57. The company is loss-making and has an operating margin of (13.57)% and a return on equity of (11.65)%.

The company's oil sands segment includes the development and production of bitumen in northeastern Alberta. Cenovus's bitumen assets include Foster Creek, Christina Lake, and Narrows Lake as well as other projects in the early stages of development. The company's Deep Basin segment includes approximately 2.8 million net acres of land rich in natural gas and NGLs.

The company's refining and marketing segment includes transporting and selling crude oil, natural gas, and NGLs and joint ownership of two refineries in the United States. In addition, Cenovus owns and operates a crude by rail terminal in Alberta. This segment coordinates the company's marketing and transportation initiatives to optimize product mix, delivery points, transportation commitments, and customer diversification.

The corporate segment primarily includes unrealized gains and losses recorded on derivative financial instruments, gains and losses on divestiture of assets, as well as other costs for general and administrative, financing activities, and research costs. Adjustments for internal usage of natural gas production between segments and transloading services are recorded in this segment.

Cenovus has been reducing debt with a sense of urgency. The company has ramped up crude-by-rail shipments using railcars. Cenovus has several emerging projects in the early stages of development,

including bitumen rights of approximately 1.8 million gross acres within the Athabasca and Cold Lake areas as well as the exclusive rights to lease an additional 536,000 gross acres on an active military base.

Cenovus has significant conventional crude oil and natural gas assets including undeveloped land, exploration assets, and related infrastructure in Alberta and British Columbia in the Deep Basin. The company's Deep Basin Assets include approximately 2.8 million net acres of land. In addition, the Deep Basin Assets include interests in numerous natural gas processing plants with an estimated net processing capacity of 1.2 billion cubic feet per day.

The Deep Basin Assets are expected to provide development opportunities with high return potential that complement Cenovus's long-term oil sands development. Deep Basin production is expected to provide an economic hedge for the natural gas required as a fuel source at both the company's oil sands and refining operations.

The company's refining and marketing segment includes the refining of non-operator ownership interests and operations involved in the coordination of the company's marketing and transportation initiatives to optimize the value received.

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