



Cenovus Energy: A Top Growth Stock I'd Buy Right Now

Description

In many ways, 2020 was unprecedented for Canada's energy industry and **Cenovus Energy** ([TSX:CVE](#))([NYSE:CVE](#)). The company began the year on solid financial footing, having delivered strong free funds flow in 2019 while also reducing the company's net debt by 22%. Despite the impacts of COVID-19, Cenovus is now well on the way to reaching the company's balance sheet goals, and its operations continue to perform well.

High potential crude-by-rail program

Further, Cenovus has fully ramped up its [crude-by-rail program](#), and the company is beginning to see the full benefit of additional production from Christina Lake phase location. The company is also clearly demonstrating its commitment to sustainability. In January 2020, Cenovus published bold environmental, social, and governance (ESG) targets in four key areas for the company, including its ambition to achieve net zero emissions by 2050.

In addition, Cenovus recently announced the company's indigenous housing initiative, which happens to be the largest community investment in Cenovus's history. This is an initial five-year, \$50-million program to build much-needed homes in six First Nation and Metis communities closest to the company's oil sands operations in northern Alberta.

Safe and reliable operations

Early in fiscal 2020, the macro-economic environment deteriorated quickly. In a fight over market share, Saudi Arabia and Russia stopped cooperating to manage global crude oil supplies, and COVID-19 hit, causing significant demand destruction for the energy industry's products. These events led to a collapse in benchmark oil prices from the beginning of March to early May, followed by a slow and volatile recovery throughout the rest of the year.

This resulted in a substantial impact to Cenovus's bottom line in 2020, accompanied by a sharp drop in share prices across the entire energy sector, including Cenovus's shares. Despite these external

forces, Cenovus continued to deliver safe and reliable operations and performed well on the factors that were within the company's control.

Significant financial resilience

To ensure the health and safety of the company's employees and the communities in which Cenovus operates, the company responded swiftly to the COVID-19 pandemic, introducing enhanced cleaning and physical-distancing measures, moving to essential staffing at the company's field sites and ultimately introducing [mandatory work-from-home measures](#) for the vast majority of the company's office staff. Cenovus continues to follow the guidance and direction of governments, public health officials and the company's internal health and safety experts as COVID-19 measures evolve.

To help maintain Cenovus's financial resilience as it faced the difficult economic environment, early in the year, the company reduced planned capital spending by a total of 43% in March and April and temporarily suspended the company's dividend. The company strategically managed its oil sands assets, leveraging the flexibility of the company's business to reduce production in April, then reacting quickly to price signals to start ramping up in May and June, maximizing the benefit of an early recovery in prices.

Further, the company also purchased production curtailment credits available in the market to produce above the Government of Alberta's mandated limit when prices were higher.

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Date

2025/08/21

Date Created

2021/07/25

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