This Cheap Energy Stock Just DOUBLED its Dividend After Earnings

Description

Cenovus Energy (TSX:CVE)(NYSE:CVE) announced an incredibly strong third quarter on Wednesday, Nov. 3. It came after shares fell at the beginning of the week; however, the energy stock made a rebound in early morning trading on several pieces of good news.

What happened?

Cenovus stock announced a number of strong points during its earnings report, but a few stand out. First, the energy stock posted a profit of $551 million in the third quarter. This amounted to $0.27 per share, up from a $0.16 loss the year before.

Further, revenue totaled $12.7 billion this quarter, almost quadrupling the $3.7 billion the year before. Much of this came from a significant increase in total upstream production, almost double the year before, combined with downstream throughput that was up 189%!

But there are two other points that Motley Fool investors will be most interested in. First, Cenovus stock announced a share-buyback plan for up to 10% of its shares. Second, it is *doubling* its dividend.

The dividend today sits a $0.07 per share per share. The new dividend will increase to $0.14 per share per year. Granted, that's still not an enormous jump considering how small the dividend was to begin with. But it's certainly an improvement and shows the energy stock's strength.

So what?

All this good news points to the energy stock making a great choice in acquiring Husky Energy. Companies announcing buybacks means they believe it is currently undervalued. At $15.24 per share as of writing, analysts tend to agree. Even before the announcement, that would be a potential upside of 19% in the next year.

But this news likely will see a share boost from both analysts and investors. Motley Fool investors tend to love buybacks and dividend increases, and it's clear why. One boosts returns; the other boost passive income.

In the case of this energy stock, we get both. And it's why shares started climbing on Wednesday morning with the market barely open. In fact, before 10 a.m., the energy stock was at 52-week highs! Year to date, that's a return of 81%!

Now what?

Shareholders wanting in on the action had better get it quick. Cenovus stock is up and climbing and could reach that yearly estimate before even the day is out. And right now, it's a steal. That's based on fundamentals, performance, and future outlook.

The energy stock currently boasts an EV/EBITDA of 9.87, and price-to-book ratio of 1.29. That puts it right within value territory. And given its plans for the future, Motley Fool investors may want to consider this stock as a long-term hold.

Cenovus stock included in its earnings report that it's signed an agreement to sale its Headwater Exploration interest. This will generate $218 million in proceeds. It also closed asset sales worth $110 million. Year to date, the company has achieved about $440 million in proceeds from divesting assets, and it continues to look for ways to deliver more cash to investors.

Finally, the energy stock remained on track to reach $1 billion in synergies in 2021 alone. In the future, it expects around $1.2 billion synergies and believes this will be achieved in 2021 as well.

So, there you have it. Cenovus has a doubled dividend, cash on the books, and returns climbing even further. How can Motley Fool investors stay away from Cenovus stock?

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