
Cenovus Stock: Dividend Growth and Impressive Earnings Only Part of the Story

## Description

Investors who have allocated funds to the previously beat-up energy sector continue to benefit for being patient throughout the recent market turmoil the pandemic provided. For investors in **Cenovus** ( TSX:CVE)(NYE:CVE) and Cenovus stock, this is certainly true.



Canada's second-largest refiner and producer has seen its stock price increase more than five-fold since the depths of the pandemic. And shares of Cenovus stock are now back above pre-pandemic levels.

Can this momentum continue? Let's dive in.

# Cenvous stock to benefit from dividend hike and share buyback

In general, higher dividends and larger share buybacks are positives for investors. For those in Cenovus stock, this appears to be the case.

A recently announcement from Cenovus that the company plans on increasing its quarterly dividend this next quarter to 3.5 cents may not necessarily seem like big news. After all, this implies a dividend yield of less than 0.9% at the time of writing.

However, this dividend hike is a substantial one in terms of size. Cenovus has effectively doubled its dividend, signaling to the market this company believes its cash flows remain solid. The company also initiated a plan to repurchase up to 10% of its common shares. This is contingent on Cenvous achieving its target of less than $10 billion of net debt. However, the company believes this target is within reach "imminently."

The company's cash flows have skyrocketed, in line with production increases and higher energy prices. Cenovus has indicated that the company is making significant progress on reaching a longer-term net debt target of $8 billion. If this is hit, investors could benefit from continued dividend hikes and share buybacks over time.

## Macro environment looking positive

Of course, higher oil prices are mostly responsible for these higher cash flows and distributions to shareholders. Accordingly, shareholders in Cenovus stock may want to consider how the macro environment may change over time.

To be fair, this high commodity price environment does look anomalous. Indeed, we're seeing demand spike amid supply constraints (cough, pipelines), driving energy prices higher. For producers, this is a very good thing.

A number of analysts point to these fundamentals remaining strong in the energy sector for some time. For investors who believe this is likely to be the case, Cenvous stock still looks very attractive here.

However, those who believe we may be returning to the energy sector of old may be hesitant to jump in. I get that.

## Bottom line

With Europe witnessing energy shortages, there's certainly the potential the next few quarters could be excellent for energy companies. Beyond that, it remains a longer-term bet investors will need to make.



Regardless, right now, I see Cenovus as a company providing excellent cash flows and a path to impressive near-term growth. As a one- to five-year holding, this stock looks attractive right now.

**CATEGORY**

1. Dividend Stocks
2. Energy Stocks
3. Investing

**TICKERS GLOBAL**

1. NYSE:CVE (Cenovus Energy Inc.)
2. TSX:CVE (Cenovus Energy Inc.)

**PARTNER-FEEDS**

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News

**PP NOTIFY USER**

1. arosenberg
2. chrismacdonald

**Category**

1. Dividend Stocks
2. Energy Stocks
3. Investing

**Date**
2025/08/23
**Date Created**
2021/11/13
**Author**
chrismacdonald